

CAESARS ENTERTAINMENT Corp
Form 10-Q
August 03, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1411755

(I.R.S. Employer Identification No.)

One Caesars Palace Drive, Las Vegas, Nevada

(Address of principal executive offices)

(702) 407-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

89109

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2017
Common stock, \$0.01 par value	149,146,067

CAESARS ENTERTAINMENT CORPORATION
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PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In millions)	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents (\$1,126 and \$1,157 attributable to our VIEs)	\$ 1,515	\$ 1,513
Restricted cash (\$2,904 and \$3,040 attributable to our VIEs)	2,973	3,113
Receivables, net (\$81 and \$76 attributable to our VIEs)	158	160
Due from affiliates (\$30 and \$64 attributable to our VIEs)	30	64
Prepayments and other current assets (\$79 and \$61 attributable to our VIEs)	167	118
Inventories (\$3 and \$7 attributable to our VIEs)	15	20
Total current assets	4,858	4,988
Property and equipment, net (\$2,534 and \$2,537 attributable to our VIEs)	7,431	7,446
Goodwill (\$206 and \$206 attributable to our VIEs)	1,608	1,608
Intangible assets other than goodwill (\$183 and \$191 attributable to our VIEs)	400	433
Restricted cash (\$5 and \$5 attributable to our VIEs)	104	5
Deferred charges and other assets (\$232 and \$240 attributable to our VIEs)	392	414
Total assets	\$ 14,793	\$ 14,894
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable (\$110 and \$143 attributable to our VIEs)	\$ 187	\$ 215
Due to affiliates (\$36 and \$94 attributable to our VIEs)	56	112
Accrued expenses and other current liabilities (\$342 and \$312 attributable to our VIEs)	726	664
Accrued restructuring and support expenses	8,408	6,601
Interest payable (\$11 and \$14 attributable to our VIEs)	63	67
Current portion of long-term debt (\$22 and \$21 attributable to our VIEs)	48	89
Total current liabilities	9,488	7,748
Long-term debt (\$2,255 and \$2,254 attributable to our VIEs)	6,744	6,749
Deferred income taxes	1,825	1,722
Deferred credits and other liabilities (\$34 and \$33 attributable to our VIEs)	93	93
Total liabilities	18,150	16,312
Commitments and contingencies (Note 8)		
Stockholders' deficit		
Caesars stockholders' deficit	(5,155) (3,177
Noncontrolling interests	1,798	1,759
Total stockholders' deficit	(3,357) (1,418
Total liabilities and stockholders' deficit	\$ 14,793	\$ 14,894

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In millions, except per share data)	Three Months		Six Months Ended	
	Ended June 30, 2017	2016	June 30, 2017	2016
Revenues				
Casino	\$554	\$553	\$1,086	\$1,091
Food and beverage	197	200	393	401
Rooms	238	235	481	464
Other	149	136	278	258
Less: casino promotional allowances	(136)	(132)	(273)	(272)
Net revenues	1,002	992	1,965	1,942
Operating expenses				
Direct				
Casino	280	279	563	564
Food and beverage	96	100	189	193
Rooms	64	63	127	122
Property, general, administrative, and other	251	276	485	526
Depreciation and amortization	96	103	198	215
Corporate expense	40	40	73	81
Other operating costs	18	20	15	42
Total operating expenses	845	881	1,650	1,743
Income from operations	157	111	315	199
Interest expense	(142)	(150)	(289)	(301)
Restructuring of CEOC and other	(1,410)	(2,026)	(1,873)	(2,263)
Loss from continuing operations before income taxes	(1,395)	(2,065)	(1,847)	(2,365)
Income tax provision	(31)	(3)	(103)	(10)
Loss from continuing operations, net of income taxes	(1,426)	(2,068)	(1,950)	(2,375)
Discontinued operations, net of income taxes	—	25	—	58
Net loss	(1,426)	(2,043)	(1,950)	(2,317)
Net income attributable to noncontrolling interests	(16)	(34)	(38)	(68)
Net loss attributable to Caesars	\$(1,442)	\$(2,077)	\$(1,988)	\$(2,385)
Loss per share - basic and diluted				
Basic and diluted loss per share from continuing operations	\$(9.68)	\$(14.42)	\$(13.42)	\$(16.79)
Basic and diluted earnings per share from discontinued operations	—	0.17	—	0.40
Basic and diluted loss per share	\$(9.68)	\$(14.25)	\$(13.42)	\$(16.39)
Weighted-average common stock outstanding	149	146	148	146

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
(UNAUDITED)

(In millions)	Caesars Stockholders' Equity/(Deficit)							Total Equity/(Deficit)
	Common Stock	Treasury Stock	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Caesars Stockholders' Equity/(Deficit)	Noncontrolling Interests	
Balance as of December 31, 2015	\$1	\$(21)	\$8,190	\$(7,184)	\$1	\$987	\$1,246	\$2,233
Cumulative effect adjustment for stock-based compensation ⁽¹⁾	—	—	1	(1)	—	—	—	—
Net income/(loss)	—	—	—	(2,385)	—	(2,385)	68	(2,317)
Stock-based compensation	—	(5)	24	—	—	19	—	19
CIE stock transactions, net	—	—	(15)	—	—	(15)	(5)	(20)
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	(8)	(8)
Other	—	—	—	—	—	—	(3)	(3)
Balance as of June 30, 2016	\$1	\$(26)	\$8,200	\$(9,570)	\$1	\$(1,394)	\$1,298	\$(96)
Balance as of December 31, 2016	\$1	\$(29)	\$7,605	\$(10,753)	\$(1)	\$(3,177)	\$1,759	\$(1,418)
Net income/(loss)	—	—	—	(1,988)	—	(1,988)	38	(1,950)
Stock-based compensation	—	(8)	18	—	—	10	—	10
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	1	1
Balance as of June 30, 2017	\$1	\$(37)	\$7,623	\$(12,741)	\$(1)	\$(5,155)	\$1,798	\$(3,357)

⁽¹⁾ Adoption of Accounting Standards Update No. 2016-09, Compensation-Stock Compensation. See Note 12.

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	Six Months	
	Ended June 30,	
	2017	2016
Cash flows provided by operating activities	\$220	\$231
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in related payables	(164)	(98)
Return of investment from discontinued operations	—	115
Proceeds from the sale and maturity of investments	26	24
Payments to acquire investments	(18)	(8)
Other	—	(1)
Cash flows provided by/(used in) investing activities	(156)	32
Cash flows from financing activities		
Proceeds from long-term debt and revolving credit facilities	285	80
Debt issuance costs and fees	(8)	—
Repayments of long-term debt and revolving credit facilities	(348)	(221)
Repurchase of CIE shares	—	(43)
Distributions to noncontrolling interest owners	(26)	(13)
Other	(6)	2
Cash flows used in financing activities	(103)	(195)
Cash flows from discontinued operations		
Cash flows from operating activities	—	135
Cash flows from investing activities	—	(8)
Cash flows from financing activities	—	(115)
Net cash from discontinued operations	—	12
Change in cash, cash equivalents, and restricted cash classified as held for sale	—	(9)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	(39)	71
Cash, cash equivalents, and restricted cash, beginning of period	4,631	1,394
Cash, cash equivalents, and restricted cash, end of period	\$4,592	\$1,465
Supplemental Cash Flow Information:		
Cash paid for interest	\$272	\$290
Cash paid for income taxes	—	46
Non-cash investing and financing activities:		
Change in accrued capital expenditures	(9)	(8)

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

In this filing, the name “CEC” refers to the parent holding company, Caesars Entertainment Corporation, exclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires. The words “Company,” “Caesars,” “Caesars Entertainment,” “we,” “our,” and “us” refer to Caesars Entertainment Corporation, inclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires.

This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016 (“2016 Annual Report”).

We also refer to (i) our Consolidated Condensed Financial Statements as our “Financial Statements,” (ii) our Consolidated Condensed Statements of Operations and Comprehensive Income as our “Statements of Operations,” and (iii) our Consolidated Condensed Balance Sheets as our “Balance Sheets.”

Note 1 - Description of Business

Organization

CEC is primarily a holding company with no independent operations of its own. CEC owns 100% of Caesars Entertainment Resort Properties, LLC (“CERP”) and an interest in Caesars Growth Partners, LLC (“CGP”). CERP and CGP own a total of 12 casino properties in the United States, eight of which are in Las Vegas. These eight casino properties represented 65% and 66% of consolidated net revenues for the three and six months ended June 30, 2017, respectively.

CEC also holds a majority interest in Caesars Entertainment Operating Company, Inc. (“CEOC”). The results of CEOC and its subsidiaries are no longer consolidated with Caesars subsequent to CEOC and certain of its United States subsidiaries (the “Debtors”) voluntarily filing for reorganization in January 2015 under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Northern District of Illinois in Chicago (the “Bankruptcy Court”).

Caesars Enterprise Services, LLC

Caesars Enterprise Services, LLC (“CES”) is a services joint venture formed by CERP, CEOC, and a subsidiary of CGP (Caesars Growth Properties Holdings, LLC, or “CGPH”) (collectively, the “Members”). CES provides certain corporate and administrative services for the Members’ casino properties and related entities, including substantially all of the casino properties owned by CEOC and casinos owned by unrelated third parties. CES manages certain assets for the casino properties to which it provides services, and it employs certain of the corresponding employees. CES owns, licenses or controls other assets and uses them to provide services to the Members. Under the terms of the Omnibus License and Enterprise Services Agreement, CEC and its operating subsidiaries continue to have access to the services historically provided to us by CEOC and its employees, its trademarks, and its programs.

Reportable Segments

We view each casino property as an operating segment and currently aggregate all such casino properties into two reportable segments based on management’s view, which aligns with their ownership and underlying credit structures: CERP and CGP.

On September 23, 2016, Caesars Interactive Entertainment (“CIE”), a wholly owned subsidiary of CGP, sold its social and mobile games business (the “SMG Business”) and retained only its World Series of Poker (“WSOP”) and regulated online real money gaming businesses. The SMG Business represented the majority of CIE’s operations and is classified as discontinued operations for all periods presented (see Note 14).

Announced Merger with Caesars Acquisition Company

Caesars Acquisition Company (“CAC”) was formed on February 25, 2013 to make an equity investment in CGP, a joint venture between CAC and certain subsidiaries of CEC, and directly owns 100% of the voting membership units of

CGP and serves as CGP's managing member. Certain subsidiaries of CEC hold 100% of the non-voting membership units of CGP.

CEC and CAC entered into the Amended and Restated Agreement and Plan of Merger, dated as of July 9, 2016, as amended by the First Amendment to Amended and Restated Agreement and Plan of Merger, dated as of February 20, 2017 (as amended, the "Merger Agreement"). Pursuant to the Merger Agreement, among other things, CAC will merge with and into CEC, with CEC as

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CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

the surviving company (the “Merger”). Subject to the terms and conditions of the Merger Agreement, upon consummation of the Merger, each share of CAC common stock issued and outstanding immediately prior to the effective date of the Merger will be converted into, and become exchangeable for, 1.625 (the “Exchange Ratio”) shares of CEC common stock.

CEC’s registration statement on Form S-4 filed with the Securities and Exchange Commission (“SEC”) on March 13, 2017, as amended by Amendment No. 1 to such registration statement on Form S-4 filed with the SEC on June 5, 2017 and Amendment No. 2 to such registration statement on Form S-4 filed with the SEC on June 20, 2017 (as amended, the “Registration Statement”), was declared effective by the SEC on June 23, 2017. Special meetings of CEC and CAC stockholders were held on July 25, 2017, where the stockholders agreed to:

- adopt the Merger Agreement and approve the Merger;
- approve the issuance of shares of CEC common stock:
 - to CAC stockholders in the Merger,
 - to creditors of the Debtors in connection with CEOC’s emergence, and
 - under the approximately \$1.1 billion in face value of 5.00% convertible senior notes due 2024 to be issued by CEC to certain creditors of the Debtors in connection with the Debtors’ emergence (the “CEC Convertible Notes”);
- approve, on a non-binding, advisory basis, the Merger-related compensation for CEC’s named executive officers and certain of CAC’s named executive officers;
- approve amendments to CEC’s certificate of incorporation to:
 - increase the number of authorized shares of CEC common stock from 1,250,000,000 to 2,000,000,000,
 - allow for cumulative voting in the election of individuals to the CEC board of directors, and
 - implement, over a number of years, the declassification of the CEC board of directors; and
- approve the CEC 2017 Performance Incentive Plan.

We expect the Merger to be accounted for as a transaction among entities under common control, which will result in CAC being consolidated into Caesars at book value as an equity transaction for all periods presented.

Going Concern

Management assesses CEC’s ability to continue as a going concern on a quarterly basis, and the following information reflects the results of our assessment of CEC’s ability to continue as a going concern.

Overview

As a result of the following circumstances, we have substantial doubt about CEC’s ability to continue as a going concern:

we have limited unrestricted cash available to meet the financial commitments of CEC, primarily resulting from significant expenditures made to (1) defend against the litigation matters disclosed below and (2) support a plan of reorganization for CEOC (the “Restructuring”);

- we have made material future commitments to support the Restructuring described below; and

we are a defendant in litigation relating to certain CEOC transactions dating back to 2010 and other legal matters (see Note 3) that could result in one or more adverse rulings against us if the Restructuring is not completed.

CEC does not currently have sufficient cash to meet its financial commitments to support the Restructuring that are due when CEOC ultimately emerges from bankruptcy or to satisfy the potential obligations that would arise in the event of an adverse ruling on one or all of the litigation matters disclosed below. The completion of the Merger is expected to allow CEC to fulfill its financial

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

commitments in support of the Restructuring. However, if the Merger is not completed for any reason, CEC would still be liable for many of these obligations.

CEC entered into the CIE Proceeds and Reservation Rights Agreement (as amended on October 7, 2016) with CIE, CEOC and CAC (the "CIE Proceeds Agreement"), which allows for up to \$235 million of the proceeds from the sale of the SMG Business to be distributed to CEC in order to pay certain fees in support of the Restructuring, including the payment to CEOC described below ("CEC Expense Amounts"). As of June 30, 2017, \$81 million remained available to CEC under this agreement. After taking into account the cash available to pay the CEC Expense Amounts under the CIE Proceeds Agreement and other sources of liquidity, CEC expects to have sufficient cash to meet its ongoing obligations as they come due for at least 12 months beyond the issuance date of these financial statements. However, there are restrictions governing when and how the cash designated for CEC Expense Amounts can be used (see Note 2). Upon completion of the Merger, CEC also expects to gain access to the remaining proceeds from the sale of the SMG Business, which will be used to fund its other commitments in support of the Restructuring.

If CEC is unable to access additional sources of cash when needed, in the event of a material adverse ruling on one or all of the litigation matters disclosed below, or if CEOC does not emerge from bankruptcy on a timely basis on terms and under circumstances satisfactory to CEC, it is likely that CEC would seek reorganization under Chapter 11 of the Bankruptcy Code.

We believe that CERP and CGP's cash and cash equivalents, their cash flows from operations, and/or financing available under their separate revolving credit facilities will be sufficient to meet their normal operating requirements, to fund planned capital expenditures, and to fund debt service during the next 12 months and the foreseeable future.

CEOC Reorganization

On January 13, 2017, the Debtors filed an amended plan of reorganization (the "Third Amended Plan") with the Bankruptcy Court that replaces all previously filed plans. CEC, CAC, the Debtors and CEOC's major creditor groups have agreed to support the Third Amended Plan. The Bankruptcy Court confirmed the Third Amended Plan on January 17, 2017.

As part of the Third Amended Plan, it is anticipated that CEOC will be divided into two companies - OpCo and PropCo. OpCo will operate CEOC's properties and facilities. PropCo will hold certain of CEOC's real property assets and related fixtures and will lease those assets to OpCo. It is anticipated that OpCo will be a wholly owned consolidated subsidiary of CEC subsequent to CEOC's emergence and will contract with another subsidiary of CEC to manage the facilities to be leased from PropCo. PropCo will be a separate entity and will not be consolidated by CEC. Although the Third Amended Plan has been confirmed by the Bankruptcy Court, we must still obtain regulatory approval in three of the jurisdictions in which we have gaming operations in order for CEOC to successfully emerge from bankruptcy. The Third Amended Plan remains subject to completion of (i) the Merger, which was approved by CEC's shareholders on July 25, 2017; (ii) certain financing transactions, including raising \$1.2 billion of capital for OpCo (the terms of which were committed to on April 4, 2017) and (iii) various other closing conditions. In addition, CEOC continues to complete the formation of PropCo and related entities and take such other steps necessary to enable PropCo to carry out the transactions contemplated under the Third Amended Plan and commence operations on the Effective Date (as defined below), which includes securing an anticipated \$1.8 billion to \$2.2 billion of commercial mortgage backed securities.

In connection with the Third Amended Plan, the following agreements with respect to the CEOC reorganization were either entered into or amended, as needed (collectively, the "RSAs"):

- (a) Sixth Amended and Restated Restructuring Support and Forbearance Agreement, dated October 4, 2016, with certain parties holding claims under CEOC's first lien notes (the "First Lien Bond RSA");
- (b)

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- Second Amended Restructuring Support and Forbearance Agreement, dated October 4, 2016, with certain parties holding claims under CEOC's first lien credit agreement (the "First Lien Bank RSA");
- (c) Restructuring Support, Forbearance and Settlement Agreement, dated October 4, 2016, with certain parties holding claims under CEOC's second lien note agreements (the "Second Lien RSA");
- (d) Amendment No. 1 to First Amended and Restated Restructuring Support and Forbearance Agreement, dated October 4, 2016, with certain parties holding claims under CEOC's subsidiary guaranteed notes (the "SGN RSA");

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
 (UNAUDITED)

- (e) First Amended and Restated Restructuring Support, Settlement, and Contribution Agreement, dated July 9, 2016, with CEOC (the “CEC RSA”);
- (f) Amended and Restated Restructuring Support Agreement, dated July 9, 2016, with CAC and CEOC (the “CAC RSA”); and
- (g) Restructuring Support and Settlement Agreement, dated June 22, 2016, with the unsecured claimholders’ committee in the Chapter 11 cases (the “UCC RSA”).

The “Effective Date” of the Restructuring (the material terms of which are contained in the RSAs and the Third Amended Plan) is the date upon which all required conditions of the Restructuring have been satisfied or waived and on which the CEOC reorganization and related transactions become effective.

As a result of the Bankruptcy Court’s confirmation of the Third Amended Plan, we believe it is probable that certain obligations described in the Third Amended Plan and the RSAs will ultimately be settled, and therefore, we have accrued the items that are estimable in accrued restructuring and support expenses on the Balance Sheets, as described in the table below. During 2017, we updated our accruals primarily for changes in the fair value of our accrued restructuring and support expenses. For the three and six months ended June 30, 2017, we recorded \$1.4 billion and \$1.9 billion, respectively, in restructuring of CEOC and other in the Statements of Operations, which increased our total accrual to \$8.4 billion as of June 30, 2017.

We estimated the total consideration we expect to provide in support of the Restructuring, which includes a combination of cash, CEC common stock, and CEC Convertible Notes (as defined below). Accrued restructuring and support expenses does not include the consideration that will be issued as part of the acquisition of OpCo (as defined below), which will be recorded when the transaction is consummated.

Accrued Restructuring and Support Expenses

(In millions)	Accrued as of	
	June 30, 2017	December 31, 2016
Forbearance fees and other payments to creditors	\$995	\$ 970
Bank Guaranty Settlement	768	734
Issuance of CEC common stock	4,383	2,936
Issuance of CEC Convertible Notes	1,910	1,600
PropCo Call Right	193	131
Payment of creditor expenses, settlement charges, and other fees	159	195
Payment to CEOC	—	35
Total accrued	\$8,408	\$ 6,601

The amounts disclosed above are reported net of payments totaling \$69 million and \$34 million during the six months ended June 30, 2017 and the year ended December 31, 2016, respectively.

Forbearance Fees and Other Payments to Creditors. CEC has agreed to pay certain fees in exchange for CEOC’s major creditors agreeing to forebear from exercising their rights and remedies under certain of CEOC’s credit agreements and to stay all pending litigation.

Bank Guaranty Settlement. In 2014, CEOC amended its senior secured credit facilities (the “Bank Amendment”) resulting in, among other things, a modification of CEC’s guarantee under the senior secured credit facilities such that CEC’s guarantee was limited to a guarantee of collection (“CEC Collection Guarantee”) with respect to obligations owed to the lenders who consented to the Bank Amendment. The CEC Collection Guarantee requires the creditors to exhaust all rights and remedies at law and in equity that the creditors or their agents may have against CEOC or any of its subsidiaries and its and their respective property to collect, or obtain payment of, the guaranteed amounts. Pursuant to the Third Amended Plan, the CEOC creditors have agreed to eliminate the CEC Collection Guarantee, and we

recorded \$768 million as an estimate of the liability based on the terms of the agreement.

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CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

Issuance of CEC Common Stock. CEC will issue CEC common stock for the settlement of claims and potential claims and is obligated to repurchase at least \$1.0 billion worth of the issued shares at a fixed price. As of June 30, 2017, our accrual includes the \$1.0 billion repurchase obligation plus the estimated fair value of \$3.4 billion for the net shares that we expect to issue after satisfying the repurchase obligation, which is subject to remeasurement on a quarterly basis. Additionally, we have accrued a liability for the fair value associated with the creditors' right to require CEC to repurchase up to \$200 million worth of the newly-issued CEC common stock.

CEC's majority stockholders, the Sponsors (as defined in Note 15), have agreed that their CEC common stock shall be contributed to CEC as part of the Restructuring and for the settlement of claims and potential claims. Therefore, our accrual also includes the fair value of the shares held by the Sponsors. We will reduce the estimate of our obligation upon receipt of the shares from the Sponsors, with an offsetting amount recorded to equity, which is expected to occur on the Effective Date. See Note 7 for additional information on fair value measurements and how this value was determined.

Issuance of CEC Convertible Notes. CEC will issue approximately \$1.1 billion in face value of CEC Convertible Notes to the CEOC creditors for the settlement of claims and potential claims, and our accrual represents the estimated fair value of the notes to be issued (see Note 7).

PropCo Call Right Agreement. PropCo will have a call right for up to five years to purchase the real property assets associated with Harrah's Atlantic City and Harrah's Laughlin from CERP and Harrah's New Orleans from CGP (subject to the terms of the CERP and CGPH credit agreements) (the "PropCo Call Right"). Our accrual represents the estimated fair value of the call right related to Harrah's Atlantic City, Harrah's Laughlin, and Harrah's New Orleans. See Note 7.

Payment of Creditor Expenses, Settlement Charges, and Other Fees. Pursuant to the Third Amended Plan, CEC has agreed to pay certain professional fees incurred by CEOC's creditors and has agreed to pay other ancillary fees and settlement amounts.

Payment to CEOC. In addition, and separate from the transactions and agreements described above, because there was not a comprehensive out-of-court restructuring of CEOC's debt securities or a prepackaged or prearranged in-court restructuring with requisite voting support from each of the first and second lien secured creditor classes by February 15, 2016, a debt agreement entered into by CEOC in 2014 contemplates an additional payment to CEOC of \$35 million from CEC. During the first quarter of 2015, we accrued this liability in accrued restructuring and support expenses on the Balance Sheet, which was paid during the second quarter of 2017 using a portion of the proceeds from the sale of the SMG Business.

Other Commitments Under the Third Amended Plan

The following represents other commitments or potential obligations to which CEC has agreed as part of the Third Amended Plan and certain of the RSAs, none of which have been accrued as of June 30, 2017.

• Purchase 100% of OpCo common stock for \$700 million;

• Issuance of CEC common stock in exchange for OpCo preferred stock;

• PropCo has right of first refusal on the real property assets associated with all new domestic non-Las Vegas gaming facility opportunities, with CEC or OpCo leasing such properties; and

• Guarantee of OpCo's payment obligations to PropCo under the leases of the CEOC Properties.

The acquisitions of OpCo equity represent future investment transactions and will be recorded when (or if) the transactions are consummated. The PropCo right of first refusal is not a financial obligation that would require accrual. The guarantee of OpCo's payment relates to OpCo commitments that do not yet exist, and thus does not give rise to an obligation for CEC as of June 30, 2017.

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Liquidity

Cash and Available Revolver Capacity

(In millions)	June 30, 2017			
	CER	PCGP	CES	Other
Cash and cash equivalents	\$264	\$1,035	\$91	\$125
Revolver capacity	270	160	—	—
Revolver capacity drawn or committed to letters of credit	—	—	—	—
Total	\$534	\$1,195	\$91	\$125

Consolidated cash and cash equivalents, excluding restricted cash, as shown in the table above include amounts held by CERP, CGP, and CES, which are not readily available to CEC. “Other” reflects CEC and certain of its direct subsidiaries, including its insurance captives.

CEC is primarily a holding company with no independent operations, employees, or material debt issuances of its own. Its primary assets as of June 30, 2017, consist of \$125 million in cash and cash equivalents and its ownership interests in CEOC, CERP, and CGP. CEC’s cash and cash equivalents includes \$93 million held by its insurance captives. Provisions included in certain debt arrangements entered into by CERP and CGP (and/or their respective subsidiaries) substantially restrict the ability of CERP, CGP, and their subsidiaries to provide dividends to CEC. In addition, CEC does not receive any financial benefit from CEOC during CEOC’s bankruptcy, as all earnings and cash flows are retained by CEOC for the benefit of its creditors.

CEC has no requirement to fund the operations of CERP, CGP, or their subsidiaries. Accordingly, CEC cash outflows are primarily used for corporate development opportunities and other corporate-level activity, including defending itself in the litigation in which it has been named as a defendant (see Note 3). As described previously, as of June 30, 2017, CEC had \$81 million remaining under the CIE Proceeds Agreement from which it is able to fund certain eligible CEC Expense Amounts. Otherwise, CEC is generally limited to raising additional capital through borrowings or equity transactions because it has no operations of its own and the restrictions on its subsidiaries under lending arrangements generally prevent the distribution of cash from the subsidiaries to CEC, except for certain restricted payments that CERP and CGPH are authorized to make in accordance with their lending arrangements.

Litigation

In addition to financial commitments described above, we have the following outstanding uncertainties for which we have not accrued any amounts, all of which are described in Note 3:

- Litigation commenced by Wilmington Savings Fund Society, FSB on August 4, 2014 (the “Delaware Second Lien Lawsuit”);

- Litigation commenced by parties on September 3, 2014 and October 2, 2014 (the “Senior Unsecured Lawsuits”);

- Litigation commenced by UMB Bank on November 25, 2014 (the “Delaware First Lien Lawsuit”);

- Demands for payment made by Wilmington Savings Fund Society, FSB on February 13, 2015 (the “February 13 Notice”);

- Demands for payment made by BOKF, N.A., on February 18, 2015 (the “February 18 Notice”);

- Litigation commenced by BOKF, N.A. on March 3, 2015 (the “New York Second Lien Lawsuit”);

- Litigation commenced by UMB Bank on June 15, 2015 (the “New York First Lien Lawsuit”); and

- Litigation commenced by Wilmington Trust, National Association on October 20, 2015 (the “New York Senior Notes Lawsuit”).

Report of Bankruptcy Examiner

The Bankruptcy Court engaged an examiner to investigate possible claims CEOC might have against CEC and/or other entities and individuals. On March 15, 2016, the examiner released his report, which identifies a variety of

potential claims against CEC

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CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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and certain individuals related to a number of transactions dating back to 2009. Most of the examiner's findings are premised on his view that CEOC was "insolvent" at the time of the applicable transactions and that CEOC did not receive fair value for assets transferred. The examiner's report includes his conclusions on the relative strengths of these possible claims, many of which are described in Note 3. The examiner calculates an estimated range of potential damages for these potential claims from \$3.6 billion to \$5.1 billion, and such calculation does not account for probability of success, likelihood of collection, or the time or cost of litigation.

While this report was prepared at the request of the Bankruptcy Court, none of the findings included therein are legally binding on the Bankruptcy Court or any party. CEC contests many of the examiner's findings, including his findings that CEOC was insolvent at relevant times, that there were breaches of fiduciary duty, that CEOC did not receive fair value for assets transferred, that there were fraudulent transfers, and as to the calculation of damages. CEC believes that each of the challenged transactions was undertaken to provide CEOC with the liquidity and resources required to sustain it and provide time to recover from significant market challenges. In any event, under the terms of the Restructuring, all such matters will be resolved pursuant to CEOC's Plan of Reorganization.

Note 2 — Basis of Presentation and Principles of Consolidation

Basis of Presentation and Use of Estimates

The accompanying unaudited consolidated condensed financial statements of Caesars have been prepared under the rules and regulations of the SEC applicable for interim periods, and therefore, do not include all information and footnotes necessary for complete financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). The results for the interim periods reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations, and cash flows. The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the entire 2017 fiscal year.

Reclassifications

For the three and six months ended June 30, 2016, \$4 million and \$9 million, respectively, was reclassified from food and beverage revenues to other revenues, and certain other immaterial prior year amounts have also been reclassified to conform to the current year's presentation. The financial results related to the SMG Business were classified as discontinued operations for all periods presented effective beginning in the third quarter of 2016 (see Note 14).

Cash, Cash Equivalents, and Restricted Cash

We adopted Accounting Standards Update ("ASU") No. 2016-18, Statement of Cash Flows: Restricted Cash, during the fourth quarter of 2016, and retrospectively applied the amendments. Prior to adopting ASU No. 2016-18, our consolidated statements of cash flows reported changes in restricted cash as investing activities and excluded restricted cash from the beginning and ending balances of cash and cash equivalents. The effect on prior periods of adopting the new guidance includes: (i) increases in cash, cash equivalents, and restricted cash balances to \$1.5 billion and \$1.4 billion as of June 30, 2016 and December 31, 2015, respectively; and (ii) a decrease of \$107 million in cash flows provided by investing activities for the six months ended June 30, 2016.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Balance Sheets that sum to amounts reported on the consolidated statements of cash flows.

(In millions)	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 1,515	\$ 1,513
Restricted cash, current portion	2,973	3,113
Restricted cash, non-current portion	104	5
Total cash, cash equivalents, and restricted cash	\$ 4,592	\$ 4,631
Other Operating Costs		

Other operating costs primarily include write-downs, reserves, and project opening costs, net of recoveries and acquisition and integration costs. During the first quarter of 2017, CEC was reimbursed \$19 million for amounts related to the joint venture development in Korea that were deemed uncollectible and written off in 2015.

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Consolidation of Subsidiaries and Variable Interest Entities

Our consolidated financial statements include the accounts of Caesars Entertainment and its subsidiaries after elimination of all intercompany accounts and transactions.

We consolidate all subsidiaries in which we have a controlling financial interest and variable interest entities (“VIEs”) for which we or one of our consolidated subsidiaries is the primary beneficiary. Control generally equates to ownership percentage, whereby (1) affiliates that are more than 50% owned are consolidated; (2) investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method where we have determined that we have significant influence over the entities; and (3) investments in affiliates of 20% or less are generally accounted for using the cost method.

Consolidation of CGP

Effective in 2013, CGP was determined to be a VIE, and Caesars was determined to be the primary beneficiary. CAC is the sole voting member of CGP and holds a material noncontrolling interest in CGP. Common control exists between CAC and Caesars through the majority beneficial ownership of both by Hamlet Holdings (as defined in Note 15). Neither CAC nor CGP guarantees any of CEC’s debt, and neither the creditors nor the beneficial holders of CGP have recourse to the general credit of CEC.

CGP generated net revenues of \$434 million and \$435 million for the three months ended June 30, 2017 and 2016, respectively, and \$855 million and \$860 million for the six months ended June 30, 2017 and 2016, respectively. Net income attributable to Caesars related to CGP was \$6 million for the three months ended June 30, 2017. Net loss attributable to Caesars related to CGP was \$16 million for the three months ended June 30, 2016, and \$4 million and \$12 million for the six months ended June 30, 2017 and 2016, respectively.

Our consolidated restricted cash includes amounts held by CGP of \$2.9 billion and \$3.0 billion as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, the majority of the balance is restricted under the terms of the CIE Proceeds Agreement, which requires a portion of the proceeds from the sale of the SMG Business be deposited into the CIE escrow account (the “CIE Escrow Account”). Up to \$235 million may be distributed from the CIE Escrow Account to CEC in order to pay the CEC Expense Amounts only: (i) pursuant to the terms of the term sheet included in the CIE Proceeds Agreement and the agreement entered into among Wilmington Trust, National Association, CIE and CEOC, governing the CIE Escrow Account, (ii) with the joint written consent of CIE and CEOC, or (iii) pursuant to an order of a court of competent jurisdiction.

CGP consolidates into its financial statements the accounts of any variable interest entity for which it is determined to be the primary beneficiary. Caesars Baltimore Investment Company, LLC (“CBIC”) is wholly-owned and consolidated by CGP. CBIC indirectly holds interests in CBAC Borrower, LLC (“CBAC”), owner of the Horseshoe Baltimore Casino, through its ownership interest in CR Baltimore Holdings (“CRBH”), a variable interest entity. The counterparty that owns the minority interest in CRBH is restricted from transferring its interest in CRBH without prior consent from CBIC. As a result, CBIC has been determined to be the primary beneficiary of CRBH, and therefore, consolidates CRBH into its financial statements. Under the existing terms of the agreement, the transfer restrictions are expected to expire in the third quarter of 2017, at which time CBIC would no longer be considered the primary beneficiary and would deconsolidate CRBH. CBIC would then record its interest in CRBH at fair value and account for it as an equity method investment from that point forward.

CRBH generated net revenues of \$141 million and net loss attributable to Caesars of \$1 million for the six months ended June 30, 2017. As of June 30, 2017, CRBH had total assets and liabilities of \$375 million and \$369 million, respectively.

Consolidation of CES

A steering committee acts in the role of a board of managers for CES with each Member entitled to appoint one representative to the steering committee. Each Member, through its representative, is entitled to a single vote on the steering committee; accordingly, the voting power of the Members does not equate to their ownership percentages. Therefore, we determined that CES was a VIE, and we concluded that CEC is the primary beneficiary because our combined economic interest in CES, through our subsidiaries, represents a controlling financial interest. Expenses incurred by CES are allocated to the casino properties directly or to the Members according to their allocation percentages, subject to annual review (see Note 15). Therefore, CES is a "pass-through" entity that serves as an agent on behalf of the Members at a cost-basis, and is contractually required to fully allocate its costs. CES is designed to have no operating cash flows of its own, and any net income or loss is generally immaterial and is typically subject to allocation to the Members in the subsequent period.

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Consolidation Considerations for CEOC

CEOC's filing for reorganization was a reconsideration event for Caesars Entertainment to reevaluate whether consolidation of CEOC continued to be appropriate. We concluded that CEOC is a VIE and that we are not the primary beneficiary; therefore, we no longer consolidate CEOC. Subsequent to the deconsolidation, we account for our investment in CEOC as a cost method investment of zero due to the negative equity associated with CEOC's underlying financial position. CEOC's ownership interest in CES was \$29 million and \$33 million as of June 30, 2017 and December 31, 2016, respectively, and is accounted for as noncontrolling interest.

Transactions with CEOC are treated as related party transactions for Caesars Entertainment. These transactions include items such as casino management fees paid to CEOC, insurance expenses related to insurance coverage provided to CEOC by Caesars Entertainment, and rent payments by CEOC to CERP under the Octavius Tower lease agreement. See Note 15 for additional information on related party transactions and on the carrying amounts and classification of assets and liabilities that relate to our variable interest in CEOC.

Note 3 — Litigation

Litigation

Noteholder Disputes

On August 4, 2014, Wilmington Savings Fund Society, FSB, solely in its capacity as successor Indenture Trustee for the 10.00% Second-Priority Senior Secured Notes due 2018 (the "10.00% Second-Priority Notes"), on behalf of itself and, it alleges, derivatively on behalf of CEOC, filed a lawsuit (the "Delaware Second Lien Lawsuit") in the Court of Chancery in the State of Delaware against CEC and CEOC, CGP, CAC, CERP, CES, Eric Hession, Gary Loveman, Jeffrey D. Benjamin, David Bonderman, Kelvin L. Davis, Marc C. Rowan, David B. Sambur, and Eric Press. The lawsuit alleges claims for breach of contract, intentional and constructive fraudulent transfer, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, and corporate waste. The lawsuit seeks (1) an award of money damages; (2) to void certain transfers, the earliest of which dates back to 2010; (3) an injunction directing the recipients of the assets in these transactions to return them to CEOC; (4) a declaration that CEC remains liable under the parent guarantee formerly applicable to the 10.00% Second-Priority Notes; (5) to impose a constructive trust or equitable lien on the transferred assets; and (6) an award to plaintiffs for their attorneys' fees and costs. CEC believes this lawsuit is without merit and is defending itself vigorously. A motion to dismiss this action was filed by CEC and other defendants in September 2014, and the motion was argued in December 2014. During the pendency of its Chapter 11 bankruptcy proceedings, the action has been automatically stayed with respect to CEOC. The motion to dismiss with respect to CEC was denied on March 18, 2015. In a Verified Supplemental Complaint filed on August 3, 2015, the plaintiff stated that due to CEOC's bankruptcy filing, the continuation of all claims was stayed pursuant to the bankruptcy except for Claims II, III, and X. These are claims against CEC only, for breach of contract in respect of the release of the parent guarantee formerly applicable to the CEOC 10.00% Second-Priority Notes, for declaratory relief in respect of the release of this guarantee, and for violations of the Trust Indenture Act in respect of the release of this guarantee. Fact discovery in the case is complete, and cross-motions for summary judgment have been filed by the parties. On January 26, 2017, the Bankruptcy Court entered an agreed order staying this proceeding (and others). The stay will remain in effect until the earlier of (a) the Effective Date, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders or (c) further order of the Bankruptcy Court. On September 3, 2014, holders of approximately \$21 million of CEOC 6.50% Senior Unsecured Notes due 2016 and 5.75% Senior Unsecured Noted due 2017 (collectively, the "Senior Unsecured Notes") filed suit in federal district court in Manhattan against CEC and CEOC, claiming broadly that an August 12, 2014 Note Purchase and Support Agreement between CEC and CEOC (on the one hand) and certain other holders of the Senior Unsecured Notes (on the other hand) impaired their own rights under the Trust Indenture Act of 1939 and the indentures governing the

Senior Unsecured Notes. The lawsuit seeks both declaratory and monetary relief. On October 2, 2014, a holder of CEOC's 6.50% Senior Unsecured Notes due 2016 purporting to represent a class of all persons who held these Notes from August 11, 2014 to the present filed a substantially similar suit in the same court, against the same defendants, relating to the same transactions. Both lawsuits (the "Senior Unsecured Lawsuits") were assigned to the same judge. The claims against CEOC have been automatically stayed during its Chapter 11 bankruptcy proceedings. The court denied a motion to dismiss both lawsuits with respect to CEC. The parties have completed fact discovery with respect to both plaintiffs' claims against CEC. On October 23, 2015, plaintiffs in the Senior Unsecured Lawsuits moved for partial summary judgment, and on December 29, 2015, those motions were denied. On December 4, 2015, plaintiff in the action brought on behalf of holders of CEOC's 6.50% Senior Unsecured Notes moved for class certification and briefing has been completed. The judge presiding over

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these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties filed cross-motions for summary judgment, which remain pending. On January 26, 2017, the Bankruptcy Court entered an agreed order staying this proceeding (and others). The stay will remain in effect until the earlier of (a) the Effective Date, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders or (c) further order of the Bankruptcy Court. On November 25, 2014, UMB Bank (“UMB”), as successor indenture trustee for CEOC's 8.50% Senior Secured Notes due 2020 (the “8.50% Senior Secured Notes”), filed a verified complaint (the “Delaware First Lien Lawsuit”) in Delaware Chancery Court against CEC, CEOC, CERP, CAC, CGP, CES, and against individual past and present Board members Loveman, Benjamin, Bonderman, Davis, Press, Rowan, Sambur, Hession, Colvin, Kleisner, Swann, Williams, Housenbold, Cohen, Stauber, and Winograd, alleging generally that defendants improperly stripped CEOC of certain assets, wrongfully effected a release of CEC’s parent guarantee of the 8.50% Senior Secured Notes and committed other wrongs. Among other things, UMB asked the court to appoint a receiver over CEOC. In addition, the suit pleads claims for fraudulent conveyances/transfers, insider preferences, illegal dividends, declaratory judgment (for breach of contract as regards to the parent guarantee and also as to certain covenants in the bond indenture), tortious interference with contract, breach of fiduciary duty, usurpation of corporate opportunities, and unjust enrichment, and seeks monetary, equitable and declaratory relief. The lawsuit has been automatically stayed with respect to CEOC during its Chapter 11 bankruptcy process. Pursuant to the First Lien Bond RSA, the lawsuit also has been stayed in its entirety, with the consent of all of the parties to it.

On February 13, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the “February 13 Notice”) from Wilmington Savings Fund Society, FSB, in its capacity as successor Trustee for CEOC’s 10.00% Second-Priority Notes. The February 13 Notice alleges that CEOC’s commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 10.00% Second-Priority Notes; that all amounts due and owing on the 10.00% Second-Priority Notes therefore immediately became payable; and that Caesars Entertainment is responsible for paying CEOC’s obligations on the 10.00% Second-Priority Notes, including CEOC’s obligation to timely pay all principal, interest, and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 13 Notice alleges is still binding. The February 13 Notice accordingly demands that Caesars Entertainment immediately pay Wilmington Savings Fund Society, FSB, cash in an amount of not less than \$3.7 billion, plus accrued and unpaid interest (including without limitation the \$184 million interest payment due December 15, 2014 that CEOC elected not to pay) and accrued and unpaid attorneys’ fees and other expenses. The February 13 Notice also alleges that the interest, fees and expenses continue to accrue.

On February 18, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the “February 18 Notice”) from BOKF, N.A. (“BOKF”), in its capacity as successor Trustee for CEOC’s 12.75% Second-Priority Senior Secured Notes due 2018 (the “12.75% Second-Priority Notes”). The February 18 Notice alleges that CEOC’s commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 12.75% Second-Priority Notes; that all amounts due and owing on the 12.75% Second-Priority Notes therefore immediately became payable; and that CEC is responsible for paying CEOC’s obligations on the 12.75% Second-Priority Notes, including CEOC’s obligation to timely pay all principal, interest and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 18 Notice alleges is still binding. The February 18 Notice therefore demands that CEC immediately pay BOKF cash in an amount of not less than \$750 million, plus accrued and unpaid interest, accrued and unpaid attorneys’ fees, and other expenses. The February 18 Notice also alleges that the interest, fees and expenses continue to accrue.

In accordance with the terms of the applicable indentures, CEC is not subject to the above-described guarantees. As a result, we believe the demands for payment are meritless.

On March 3, 2015, BOKF filed a lawsuit (the “New York Second Lien Lawsuit”) against CEC in federal district court in Manhattan, in its capacity as successor trustee for CEOC’s 12.75% Second-Priority Notes. On June 15, 2015, UMB filed a lawsuit (the “New York First Lien Lawsuit”) against CEC, also in federal district court in Manhattan, in its capacity as successor trustee for CEOC’s 11.25% Senior Secured Notes due 2017, 8.50% Senior Secured Notes due 2020, and 9.00% Senior Secured Notes due 2020. Plaintiffs in these actions allege that CEOC’s filing of its voluntary Chapter 11 bankruptcy case constitutes an event of default under the indentures governing these notes, causing all principal and interest to become immediately due and payable, and that CEC is obligated to make those payments pursuant to parent guarantee provisions in the indentures governing these notes that plaintiffs allege are still binding. Both plaintiffs bring claims for violation of the Trust Indenture Act of 1939, breach of contract, breach of duty of good faith and fair dealing and for declaratory relief and BOKF brings an additional claim for intentional

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interference with contractual relations. The cases were both assigned to the same judge presiding over the other Parent Guarantee Lawsuits (as defined below) that are taking place in Manhattan. CEC filed its answer to the BOKF complaint on March 25, 2015, and to the UMB complaint on August 10, 2015. On June 25, 2015, and June 26, 2015, BOKF and UMB, respectively, moved for partial summary judgment, specifically on their claims alleging a violation of the Trust Indenture Act of 1939, seeking both declaratory relief and damages. On August 27, 2015, those motions were denied. The court, on its own motion, certified its order with respect to the interpretation of the Trust Indenture Act for interlocutory appeal to the United States Court of Appeals for the Second Circuit, and on December 22, 2015, the appellate court denied our motion for leave to appeal. On November 20, 2015, BOKF and UMB again moved for partial summary judgment. These motions likewise were denied. The judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties submitted cross-motions for summary judgment, which remain pending. On January 26, 2017, the Bankruptcy Court entered an agreed order staying this proceeding (and others). The stay will remain in effect until the earlier of (a) the Effective Date, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders or (c) further order of the Bankruptcy Court.

On October 20, 2015, Wilmington Trust, National Association (“Wilmington Trust”), filed a lawsuit (the “New York Senior Notes Lawsuit” and, together with the Delaware Second Lien Lawsuit, the Delaware First Lien Lawsuit, the Senior Unsecured Lawsuits, the New York Second Lien Lawsuit, and the New York First Lien Lawsuit, the “Parent Guarantee Lawsuits”) against CEC in federal district court in Manhattan in its capacity as successor indenture trustee for CEOC’s 10.75% Senior Notes due 2016 (the “10.75% Senior Notes”). Plaintiff alleges that CEC is obligated to make payment of amounts due on the 10.75% Senior Notes pursuant to a parent guarantee provision in the indenture governing those notes that plaintiff alleges is still in effect. Plaintiff raises claims for violations of the Trust Indenture Act of 1939, breach of contract, breach of the implied duty of good faith and fair dealing, and for declaratory judgment, and seeks monetary and declaratory relief. CEC filed its answer to the complaint on November 23, 2015. As with the other parent guaranty lawsuits taking place in Manhattan, the judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties submitted cross-motions for summary judgment, which remain pending. On January 26, 2017, the Bankruptcy Court entered an agreed order staying this proceeding (and others). The stay will remain in effect until the earlier of (a) the Effective Date, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders or (c) further order of the Bankruptcy Court.

We believe that the claims and demands described above against CEC are without merit and we intend to defend the Company vigorously. The claims against CEOC have been stayed due to the Chapter 11 process and, as described above, the actions against CEC have now also been stayed. See additional disclosure relating to CEOC’s Chapter 11 filing in Note 1. In the event that the litigation stays are ever lifted, we believe that the Noteholder Disputes and the Parent Guarantee Lawsuits present a reasonably possible likelihood of an adverse outcome. Should these matters ultimately be resolved through litigation outside of the financial restructuring of CEOC (the “Financial Restructuring”) and should a court find in favor of the claimants in some or all of the Noteholder Disputes, such determination would likely lead to a CEC reorganization under Chapter 11 of the Bankruptcy Code (see Note 1). We are not able to estimate a range of reasonably possible losses should any of the Noteholder Disputes ultimately be resolved against us, although they could potentially exceed \$11 billion.

Employee Benefit Obligations

In December 1998, Hilton Hotels Corporation (“Hilton”) spun-off its gaming operations as Park Place Entertainment Corporation (“Park Place”). In connection with the spin-off, Hilton and Park Place entered into various agreements, including an Employee Benefits and Other Employment Allocation Agreement dated December 31, 1998 (the

“Allocation Agreement”) whereby Park Place assumed or retained, as applicable, certain liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan (the “Hilton Plan”) based on the benefits of Hilton employees and Park Place employees. CEOC is the ultimate successor to Park Place under this Allocation Agreement. In 2013, a lawsuit was settled relating to the Hilton Plan, which retroactively and prospectively increased total benefits to be paid under the Hilton Plan. In 2009, we received a letter from Hilton, notifying us of a lawsuit related to the Hilton Plan that alleged that CEC had a potential liability for the additional claims under the terms of the Allocation Agreement. On December 24, 2014, Hilton, the Plan Administrator of the Hilton Plan, and a representative of the Plan Administrator (the “Hilton Parties”) sued CEC and CEOC in federal court in Virginia primarily under the Employee Retirement Income Security Act (“ERISA”), and also under state contract and unjust enrichment law theories, for monetary and equitable relief in connection with this ongoing dispute. On April 14, 2015, the federal court dismissed the Hilton Parties’ unjust enrichment claim with prejudice

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and ordered that the remainder of the case be transferred to the Bankruptcy Court based upon its relationship to the CEOC bankruptcy case.

On June 9, 2016, CEC, CEOC and the Hilton Parties entered into a settlement of the Hilton Parties' claims (the "Settlement Agreement"). Under the settlement, Hilton will receive a general unsecured claim in CEOC's bankruptcy case for an amount equal to \$51 million plus 31.75% of amounts paid by Hilton to the Hilton Plan due after July 16, 2016. For periods following the effective date of CEOC's plan of reorganization, CEC shall assume certain of CEOC's obligations under the Allocation Agreement. In exchange, Hilton shall turn over to CEC the distributions on account of \$24.5 million of Hilton's claim in the CEOC bankruptcy. On June 21, 2016, the parties sought approval of the Settlement Agreement. The CEOC Bankruptcy Court approved the Settlement Agreement on July 19, 2016. The settlement amount is fully accrued in liabilities subject to compromise at CEOC, and the Settlement Agreement is subject to the effectiveness of CEOC's plan of reorganization.

National Retirement Fund

In January 2015, a majority of the Trustees of the National Retirement Fund ("NRF"), a multi-employer defined benefit pension plan, voted to expel the five indirect subsidiaries of CEC which were required to make contributions to the legacy plan of the NRF (the "Five Employers"). The NRF contended that the financial condition of the Five Employers' controlled group (the "CEC Controlled Group") and CEOC's then-potential bankruptcy presented an "actuarial risk" to the plan because, depending on the outcome of any CEOC bankruptcy proceedings, CEC might no longer be liable to the plan for any partial or complete withdrawal liability. As a result, the NRF claimed that the expulsion of the Five Employers constituted a complete withdrawal of the CEC Controlled Group from the plan. CEOC, in its bankruptcy proceedings, has to date not rejected the contribution obligations to the NRF of any of its subsidiary employers. The NRF has advised the CEC Controlled Group (which includes CERP) that the expulsion of the Five Employers has triggered a joint and several withdrawal liability with a present value of approximately \$360 million, payable in 80 quarterly payments of about \$6 million.

Prior to the NRF's vote to expel the Five Employers, the Five Employers reiterated their commitments to remain in the plan and not seek rejection of any collective bargaining agreement in which the obligation to contribute to NRF exists. The Five Employers were current with respect to pension contributions at the time of their expulsion, and are current with respect to pension contributions as of today pursuant to the Standstill Agreement referred to below.

We have opposed the various NRF expulsion actions.

On January 8, 2015, prior to the NRF's vote to expel the Five Employers, CEC filed an action in the United States District Court for the Southern District of New York (the "S.D.N.Y.") against the NRF and its Board of Trustees, seeking a declaratory judgment that they did not have the authority to expel the Five Employers and thus allegedly trigger withdrawal liability for the CEC Controlled Group (the "CEC Action"). On December 25, 2015, the District Judge entered an order dismissing the CEC Action on the ground that CEC's claims in this action must first be arbitrated under ERISA. CEC has appealed this decision to the United States Court of Appeals for the Second Circuit. Oral argument on this appeal was heard on January 30, 2017, and the Second Circuit has reserved decision on this appeal.

On March 6 and March 27, 2015, CEOC and certain of its subsidiaries filed in the CEOC bankruptcy proceedings two motions to void (a) the purported expulsion of the Five Employers and based thereon the alleged triggering of withdrawal liability for the non-debtor members of the CEC Controlled Group, and (b) a notice and payment demand for quarterly payments of withdrawal liability subsequently made by the NRF to certain non-debtor members of the CEC Controlled Group, respectively, on the ground that each of these actions violated the automatic stay (the "362 Motions"). On November 12, 2015, Bankruptcy Judge Goldgar issued a decision denying the 362 Motions on the ground that the NRF's actions were directed at non-debtors and therefore did not violate the automatic stay. CEOC has

appealed this decision to the federal district court in Chicago.

On March 6, 2015, CEOC commenced an adversary proceeding against the NRF and its Board of Trustees in the Bankruptcy Court (the “Adversary Proceeding”). On March 11, 2015, CEOC filed a motion in that Adversary Proceeding to extend the automatic stay in the CEOC bankruptcy proceedings to apply to the NRF’s expulsion of the Five Employers (the “105 Motion”). Judge Goldgar has not yet decided the 105 Motion.

On March 20, 2015, CEC, CEOC and CERP, on behalf of themselves and others, entered into a Standstill Agreement with the NRF and its Board of Trustees that, among other things, stayed each member of the CEC Controlled Group’s purported obligation to commence making quarterly payments of withdrawal liability and instead required the Five Employers to continue making

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monthly contribution payments to the NRF, unless and until each of the 362 Motions and the 105 Motion had been denied. As the 105 Motion has not yet been decided, the Standstill Agreement remains in effect.

If both the 105 Motion and CEC's appeal of the CEC Action are denied, then CEC could be required to pay to the NRF joint and several withdrawal liability with a present value of approximately \$360 million, payable in 80 quarterly payments of about \$6 million each while CEC simultaneously arbitrates whether the NRF and its Board of Trustees had the authority to expel the Five Employers and trigger withdrawal liability for the CEC Controlled Group.

On March 18, 2015, before the Standstill Agreement was executed, the NRF and its fund manager commenced a collection action in the S.D.N.Y. against CEC, CERP and all non-debtor members of the CEC Controlled Group for the payment of the first quarterly payment of withdrawal liability, which the NRF contended was due on March 15, 2015 (the "NRF Action"). On December 25, 2015, the District Judge entered an Order adopting the Magistrate Judge's recommendation to deny defendants' motion to dismiss over the defendants' objections on the ground that the defendants' arguments must first be arbitrated under ERISA. On February 26, 2016, the NRF and its fund manager filed a motion for summary judgment against CEC and CERP for payment of the first quarterly payment of withdrawal liability and for interest, liquidated damages, attorneys' fees and costs. On November 7, 2016, the District Judge entered an Order adopting the Magistrate Judge's recommendation to grant partial summary judgment to the NRF Action plaintiffs over CEC and CERP's objections on the ground that CEC and CERP's further arguments must also first be arbitrated under ERISA. CEC and CERP filed a Notice of Appeal to protect their rights in response to this Order. Subsequently, the District Judge determined that no final order or judgment was entered, and thus the Notice of Appeal was premature. Accordingly, the parties stipulated to the dismissal of the appeal without prejudice to any party's rights to appeal a final appealable judgment that may later be entered in the case.

On December 5, 2016, an interlocutory judgment was entered against CEC and CERP comprising the first quarterly payment of withdrawal liability referred to above, interest and liquidated damages under ERISA. On December 19, 2016, a CEC and CERP filed a motion to certify a final judgment under Rule 54(b) of the Federal Rules of Civil Procedure for immediate appeal and to stay the NRF Action plaintiffs' motions to amend and for summary judgment, as described below. On January 11, 2017, the District Court granted the motion to certify a final judgment under Rule 54(b) in the amount of \$9 million, but denied the motion for a stay, and a judgment in that amount was entered the next day. CEC has appealed this decision to the Second Circuit, and has bonded the judgment pending appeal. On February 3, 2017, the NRF Action plaintiffs filed a motion for an order permitting plaintiffs to execute on the Rule 54(b) judgment immediately, which CEC and CERP opposed. The district court has not yet ruled on this motion. On December 23, 2016, the NRF Action plaintiffs filed a motion to amend their complaint to add claims for the second through eighth quarterly payments of withdrawal liability, which the NRF Action plaintiffs contended were past due, as well as for injunctive relief requiring the defendants to pay all further quarterly payments as they purportedly became due. Also on December 23, 2016, the NRF Action plaintiffs simultaneously filed a motion for summary judgment against CEC and CERP for payment of the second through eighth quarterly payments of withdrawal liability, for interest, liquidated damages, attorneys' fees and costs, and for injunctive relief requiring the defendants to pay all further quarterly payments as they purportedly became due. The magistrate judge has not yet ruled on these motions.

On March 13, 2017, CEC, CERP, CEOC (on behalf of itself and each of the Debtors and its other direct and indirect subsidiaries), the Five Employers, the NRF, the NRF's Legacy Plan, the NRF's Trustees, and others entered into a Settlement Agreement (the "NRF Settlement Agreement"). Under the NRF Settlement Agreement, on the effective date of the Debtors' reorganization plan, CEC would pay \$45 million to the NRF (the "NRF Payments") in three different baskets: (1) a settlement basket consisting of \$10 million as litigation settlement and \$5 million for legal fee reimbursement; (2) a contribution basket consisting of \$15 million, which sum will grow at 3.1% per year, and which,

beginning 17.5 years after the plan effective date, will be applied to offset the first \$8 million of contributions from the Five Employers to the Legacy Plan annually until completely utilized; and (3) a withdrawal liability basket of \$15 million, which does not grow, to be applied if there is a partial or complete withdrawal at any time after the plan effective date. Upon the NRF Payments being made, mutual releases will be exchanged between the CEC-affiliated parties and the NRF-affiliated parties to the Settlement Agreement. On March 20, 2017, the Debtors moved for the Settlement Agreement to be approved by the Bankruptcy Court. On April 19, 2017, the Bankruptcy Court approved the NRF Settlement Agreement, and all actions and appeals relating to the CEC Action, the 362 Motions, the Adversary Proceeding and the NRF Action have been stayed.

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As of both December 31, 2016 and June 30, 2017, the Company had accrued \$30 million related to the litigation settlement, the legal fee reimbursement, and the withdrawal liability in accrued expenses and other current liabilities on the Balance Sheets. The payment related to the contribution basket will be accounted for as a prepayment toward future pension contributions.

Other Matters

In recent years, governmental authorities have been increasingly focused on anti-money laundering (“AML”) policies and procedures, with a particular focus on the gaming industry. In October 2013, CEOC’s subsidiary, Desert Palace, Inc. (the owner of and referred to herein as Caesars Palace), received a letter from the Financial Crimes Enforcement Network of the United States Department of the Treasury (“FinCEN”), stating that FinCEN was investigating Caesars Palace for alleged violations of the Bank Secrecy Act to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, we were informed in October 2013 that a federal grand jury investigation regarding anti-money laundering practices of the Company and its subsidiaries had been initiated. In September 2015, FinCEN announced a settlement with Caesars Palace, and CEOC and the Nevada Gaming Control Board reached a settlement on the same facts as above. CEOC continues to cooperate with the Department of Justice in its investigation of this matter.

Caesars is party to other ordinary and routine litigation incidental to our business. We do not expect the outcome of any such litigation to have a material effect on our consolidated financial position, results of operations, or cash flows, as we do not believe it is reasonably possible that we will incur material losses as a result of such litigation.

Note 4 — Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (the “FASB”) issued the following authoritative guidance amending the FASB Accounting Standards Codification.

New Developments

Compensation - Stock Compensation - May 2017: Amendments in this update provide guidance regarding which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. An entity should account for the effects of a modification unless all of the following are met: (i) the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as before the original award was modified. Amendments in this update are effective for all periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. Application of amended guidance should be applied prospectively to an award modified on or after the adoption date.

Previously Disclosed

Intangibles - Goodwill and Other - January 2017: Amendments in this update intend to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of goodwill. Under the amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The elimination of Step 2 from the goodwill impairment test should reduce the cost and complexity of evaluating goodwill for impairment. Amendments should be applied on a prospective basis disclosing the nature of and reason for the change in accounting principle upon transition. Disclosure should be provided in the first annual period and in the interim period in which the entity initially adopts the amendments. Updated amendments are effective for fiscal years beginning after December 15, 2019, and interim period within those fiscal years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We currently plan to implement the updated

guidance when we perform our annual goodwill impairment assessment as of October 1, or earlier, if impairment indicators exist.

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Business Combinations - January 2017: Updated amendments intend to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business and to provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments are effective to annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is allowed as follows: (1) Transactions for which acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and (2) transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Statement of Cash Flows - August 2016: Amended guidance addresses eight specific cash flow issues with the objective of reducing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments should be applied retrospectively to each period presented. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Income Taxes - October 2016: Amended guidance addresses intra-entity transfers of assets other than inventory, which requires the recognition of any related income tax consequences when such transfers occur. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Amendments are effective for fiscal years beginning after December 15, 2017, and interim reporting periods within those years. Early adoption is permitted. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Revenue Recognition - May 2014 (amended January 2017): Created a new Topic 606, Revenue from Contracts with Customers. The new guidance is intended to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP applicable to revenue transactions. Existing industry guidance will be eliminated, including revenue recognition guidance specific to the gaming industry. The FASB has recently issued several amendments to the standard, including clarification on accounting for and identifying performance obligations. This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. The guidance should be applied using the full retrospective method or retrospectively with the cumulative effect initially applying the guidance recognized at the date of initial application. We will be adopting this standard effective January 1, 2018.

We are currently in the process of our analysis and anticipate this standard will have a material effect on our consolidated financial statements. As described below, we expect the most significant effect will be related to the accounting for the Total Rewards customer loyalty program and casino promotional allowances. However, the quantitative effects of these changes have not yet been determined and are still being analyzed.

The Total Rewards customer loyalty program affects revenue from our four core businesses: casino entertainment, food and beverage, rooms and hotel, and entertainment and other business operations. Currently, CEC estimates the cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as “breakage”), based upon the cost of historical redemptions. Upon adoption of the new guidance, Reward Credits will no longer be recorded at cost, and a deferred revenue model will be used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This will

result in a portion of casino revenues being recorded as deferred revenue and being recognized as revenue in a future period when the Reward Credits are redeemed, and the revenue will be classified according to the good or service for which the Reward Credits were redeemed (e.g., a hotel room).

Additionally, we expect to see a significant decrease in casino revenues. The presentation of goods and services provided to customers without charge in gross revenue with a corresponding reduction in promotional allowances will no longer be reported. Revenue will be recognized based on relative standalone selling prices for transactions with more than one performance obligation. For example, when a casino customer is given a complimentary room, we will be required to allocate a portion of the casino revenues earned from the customer to rooms revenues based on the standalone selling price of the room.

Recognition and Measurement of Financial Instruments - January 2016: Amended certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other things, they require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with any changes in

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fair value recognized in net income and simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted on certain provisions. We are currently assessing the effect the adoption of this standard will have on our financial statements, but do not expect the effect to be material.

Leases - February 2016 (amended January 2017): The amended guidance requires most lease obligations to be recognized as a right-of-use ("ROU") asset with a corresponding liability on the balance sheet. The guidance also requires additional qualitative and quantitative disclosures to assess the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The guidance should be implemented for the earliest period presented using a modified retrospective approach, which includes optional practical expedients primarily focused on leases that commenced before the effective date, including continuing to account for leases that commenced before the effective date in accordance with previous guidance, unless the lease is modified.

Currently, all of our capital leases are set to expire before the initial effective date and will not require any accounting adjustments. Accounting for our operating leases where we are the lessor, including leases for the Octavius Tower at Caesars Palace Las Vegas and gaming space at The LINQ promenade, will remain unchanged. However, subsequent to CEOC's emergence, it is anticipated that OpCo will be a wholly owned subsidiary of CEC, and this lease transaction would be eliminated upon consolidation. Operating leases, including agreements relating to slot machines, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. The ROU asset will be depreciated on a straight-line basis and recognized as lease expense. The qualitative and quantitative effects of adoption are still being analyzed. We are in the process of evaluating the full effect the new guidance will have on our financial statements.

Financial Instruments-Credit Losses - June 2016 (amended January 2017): Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently assessing the effect the adoption of this standard will have on our financial statements.

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Note 5 — Property and Equipment

(In millions)	June 30, 2017	December 31, 2016
Land and land improvements	\$ 3,584	\$ 3,584
Buildings and leasehold improvements	4,183	4,149
Furniture, fixtures, and equipment	1,433	1,346
Construction in progress	89	55
Total property and equipment	9,289	9,134
Less: accumulated depreciation	(1,858)	(1,688)
Total property and equipment, net	\$ 7,431	\$ 7,446

Depreciation Expense and Capitalized Interest

(In millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016
Depreciation expense ⁽¹⁾	\$81	\$83	\$168	\$179
Capitalized interest	1	—	2	—

Depreciation expense for the six months ended June 30, 2017 includes accelerated depreciation of \$5 million due to asset removal and replacement in connection with property renovations primarily at Planet Hollywood Resort & Casino compared with \$5 million and \$25 million during the three and six months ended June 30, 2016, respectively, related to property renovations primarily at Harrah's Las Vegas and Flamingo Las Vegas. There was no accelerated depreciation during the three months ended June 30, 2017.

Note 6 — Goodwill and Other Intangible Assets

Changes in Carrying Value of Goodwill and other Intangible Assets

(In millions)	Amortizing Intangible Assets	Non-Amortizing Intangible Assets	Goodwill	Other
Balance as of December 31, 2016	\$ 285	\$ 1,608	\$ 148	
Amortization	(33)	—	—	
Balance as of June 30, 2017	\$ 252	\$ 1,608	\$ 148	

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Gross Carrying Value and Accumulated Amortization of Intangible Assets Other Than Goodwill

(Dollars in millions)	June 30, 2017			December 31, 2016			
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing							
Customer relationships	4.0	\$ 893	\$ (661)	\$ 232	\$893	\$ (630)	\$ 263
Contract rights	7.5	3	(1)	2	3	(1)	2
Gaming rights and other	7.0	43	(25)	18	43	(23)	20
		\$ 939	\$ (687)	252	\$939	\$ (654)	285
Non-amortizing							
Trademarks				126			126
Gaming rights				22			22
				148			148
Total intangible assets other than goodwill				\$ 400			\$ 433

Note 7 — Fair Value Measurements

Investments

Investments reported at fair value primarily consist of government bonds held by our captive insurance entities totaling \$27 million and \$47 million as of June 30, 2017 and December 31, 2016, respectively. These investments are traded in active markets, have readily determined market values and have maturity dates of greater than three months from the date of purchase. Because the fair value of these instruments is not estimated individually, but rather in the aggregate using alternative pricing methods, their fair value is classified as Level 2. These investments primarily represent collateral for several escrow and trust agreements with third-party beneficiaries and are recorded in deferred charges and other in the Balance Sheets while a portion is included in prepayments and other current assets.

Restructuring Commitments

Estimated Fair Value

(In millions)	Balance	Level 1	Level 2	Level 3
December 31, 2016				
Liabilities:				
Issuance of CEC Convertible Notes	\$ 1,600	\$ —	\$ —	\$ 1,600
Issuance of CEC common stock	1,936	—	1,936	—
PropCo Call Right	131	—	—	131
Total liabilities at fair value	\$ 3,667	\$ —	\$ 1,936	\$ 1,731
June 30, 2017				
Liabilities:				
Issuance of CEC Convertible Notes	\$ 1,910	\$ —	\$ —	\$ 1,910
Issuance of CEC common stock	3,383	—	3,383	—
PropCo Call Right	193	—	—	193
Total liabilities at fair value	\$ 5,486	\$ —	\$ 3,383	\$ 2,103

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Changes in Level 3 Fair Value Measurements

	Three Months		Six Months	
	Ended June 30, 2017		Ended June 30, 2017	
(In millions)	CEC Convertible Notes	PropCo Call Right	CEC Convertible Notes	PropCo Call Right
Balance as of beginning of period	\$1,630	\$ 131	\$1,600	\$ 131
Restructuring of CEOC and other	280	62	310	62
Balance as of end of period	\$1,910	\$ 193	\$1,910	\$ 193

As described in Note 1, we recognized certain obligations that we believe will ultimately be settled under the Third Amended Plan or the RSAs. A portion of the obligations we recognized reflect our estimates of the fair value of the consideration CEC has agreed to provide in the form of CEC Common Stock, CEC Convertible Notes, and the PropCo Call Right in exchange for the settlement of litigation claims and potential claims against CEC and its affiliates. These obligations are recorded in accrued restructuring and support expenses on the Balance Sheets and will be accounted for at fair value each period until they are ultimately settled as part of the Restructuring.

Valuation Methodologies

CEC Convertible Notes - We estimated the fair value of the CEC Convertible Notes to be issued using a binomial lattice valuation model that incorporates the value of both the straight debt and conversion features of the notes. In the Third Amended Plan, the CEC Convertible Notes have a face value of \$1.1 billion, a term of 7 years, a coupon rate of 5%, and are convertible into 13.714% of fully-diluted CEC equity. The valuation model incorporates assumptions regarding the incremental post-emergence cost of borrowing for CEC, the value of CEC's equity into which these notes could convert, the expected volatility of such equity, and the risk-free rate.

Key Assumptions -

Incremental cost of borrowing - 4.5%

Expected volatility - 30%

Risk-free rate - 2.1%

Since the key assumptions used in the valuation model, including CEC's estimated incremental post-emergence cost of borrowing and the expected volatility of CEC's equity, are significant unobservable inputs, the fair value for the CEC Convertible Notes is classified as Level 3. Should CEC's estimated incremental cost of borrowing or equity value fluctuate over time, it could result in an increase or decrease in the fair value of the notes and the corresponding restructuring accrual. Specifically, a decrease in the incremental borrowing rate or an increase in the expected volatility of CEC's Common Stock would result in an increase in the restructuring accrual.

CEC Common Stock - CEC will issue CEC common stock for the settlement of claims and potential claims and is obligated to repurchase at least \$1.0 billion worth of the issued shares at a fixed price. The value of the purchase obligation is not subject to change; therefore, the estimated fair value primarily represents the net shares that we expect to issue after satisfying the repurchase obligation. We have used the fair value of CEC's common stock as of the end of each reporting period to estimate this portion of the restructuring accrual.

Additionally, a portion of our accrued liability represents the fair value associated with the creditors' right to require CEC to repurchase up to \$200 million worth of the newly-issued CEC common stock. We determined the estimate fair value of this potential obligation using the Black-Scholes Option Valuation Model, which incorporates assumptions regarding the value of CEC's equity, estimated volatility of CEC common equity, and the risk-free rate.

The CEC common equity value is subject to market fluctuations and does not necessarily reflect the final value of completing the transactions contemplated in the Third Amended Plan and the related RSAs. The valuation models used to estimate the fair value of CEC's common stock expected to be issued do not require significant judgment and inputs can be observed in a liquid market, such as the current trading price and expected volatility of CEC common stock (as observed through the pricing of publicly-traded options of CEC's common stock). However, the valuation model includes inputs other than quoted prices in active markets, such as adjustments related to the dilutive effects of other transactions, including equity issuances in connection with the Restructuring and the Merger; therefore, this portion of the restructuring accrual is classified as Level 2.

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PropCo Call Right Agreement - After the Restructuring, PropCo will have a call right for up to five years to purchase and leaseback the real property assets associated with Harrah's Atlantic City and Harrah's Laughlin from CERP and Harrah's New Orleans from CGP for a cash purchase price of ten times the agreed upon annual rent for each property (subject to the terms of the CERP and CGPH credit agreements). The initial rent for each property under the agreement will be determined based on a rent-to-earnings before interest, taxes, depreciation, amortization, and rent ("EBITDAR") ratio of 1.00-to-1.67. PropCo's purchase price will be determined by multiplying each property's initial rent by 10.

The valuation model used to estimate the fair value of the PropCo Call Right is a Monte Carlo simulation and utilized the following key assumptions:

Key Assumptions -

Ratio of EBITDAR to Initial Rent under Property Lease - 1.67 to 1.00

EBITDAR volatility - 23%

Enterprise value to revenue volatility - 13%

Ratio of initial purchase price to property lease rent - 12.00 to 1.00

EBITDAR to multiple correlation - 0.0%

Composite projected revenue growth rate - 2.4%

Composite projected EBITDAR margin growth rate - 23.2%

Since the key assumptions used in the valuation model are significant unobservable inputs, the fair value for the call right is classified as Level 3. Should these assumptions fluctuate over time, it could result in an increase or decrease in the fair value of the call right and the corresponding restructuring accrual. Specifically, an increase in the volatility assumptions would result in an increase in the restructuring accrual.

Note 8 — Contractual Commitments and Contingent Liabilities

Contractual Commitments

Except as described in Note 1 and Note 9, during the six months ended June 30, 2017, we have not entered into any material contractual commitments outside of the ordinary course of business that have materially changed our contractual commitments as compared to December 31, 2016.

Contingent Liabilities

Self-Insurance

We are self-insured for workers compensation and other risk insurance, as well as health insurance effective in the first quarter of 2017 when the liability related to certain health insurance contracts was transferred from CEOC to CES. Our total estimated self-insurance liability was \$201 million and \$179 million as of June 30, 2017 and December 31, 2016, respectively.

Deferred Compensation and Employee Benefits

Deferred Compensation Plans

As of June 30, 2017, certain current and former employees of Caesars, and our subsidiaries and affiliates, have balances under the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan ("ESSP"), the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II ("ESSP II"), the Park Place Entertainment Corporation Executive Deferred Compensation Plan ("CEDCP"), the Harrah's Entertainment, Inc. Deferred Compensation Plan ("DCP"), and the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan ("EDCP"). These plans are deferred compensation plans that allow certain employees an opportunity to save for retirement and other purposes.

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Each of the plans is now frozen and is no longer accepting contributions. However, participants may still earn returns on existing plan balances based upon their selected investment alternatives, which are reflected in their deferral accounts.

Plan obligations in respect of all of these plans were included in Caesars' financial statements as liabilities prior to the deconsolidation of CEOC. Caesars has recorded in the accompanying financial statements \$40 million in liabilities as of both June 30, 2017 and December 31, 2016, representing the estimate of its obligations under the ESSP and ESSP II and for certain former directors and employees who had employment agreements with Harrah's Entertainment, Inc. (the predecessor to CEC) and participated in the EDCP. The additional liability in respect of the CEDCP and DCP that Caesars has not recorded was approximately \$34 million and \$32 million as of June 30, 2017 and December 31, 2016, respectively, as we determined that this portion of the liability was attributable to CEOC pending the effectiveness of the settlement described below.

Trust Assets

CEC is a party to a trust agreement (the "Trust Agreement") and an escrow agreement (the "Escrow Agreement"), each structured as so-called "rabbi trust" arrangements, which hold assets that may be used to satisfy obligations under the deferred compensation plans above. Amounts held pursuant to the Trust Agreement and the Escrow Agreement were approximately \$67 million and \$61 million, respectively, as of June 30, 2017, and \$62 million and \$57 million, respectively, as of December 31, 2016.

The assets held pursuant to the Trust Agreement have been reflected as long-term restricted assets on the Balance Sheets. The assets held pursuant to the Escrow Agreement were not reflected on the Balance Sheets as we continued to assess the Escrow Agreement and the propriety of the funds that were contributed in accordance with the agreement prior to reaching the settlement described below, which was not yet effective as of June 30, 2017.

Settlement Agreement

On September 14, 2016, CEC entered into a settlement agreement with CEOC related to the liabilities and assets associated with the above deferred compensation plans, which was approved by the Bankruptcy Court on October 17, 2016. Pursuant to the settlement agreement, contemporaneously with the Effective Date of the Restructuring, CEC will assume all obligations to plan participants under or with respect to all five of the deferred compensation plans, and the Debtors will have no further obligations to the deferred compensation plan participants. At that time, CEOC and the other Debtors will relinquish and release any claim or right that any of them may have in respect of the assets held under either the Trust Agreement or the Escrow Agreement. Upon the effectiveness of the Restructuring and CEC's receipt of the assets held pursuant to the Escrow Agreement, CEC will record the additional assets and liabilities in respect of the Escrow Agreement and the CEDCP and DCP, which are \$61 million and \$34 million, respectively, as of June 30, 2017.

Note 9 — Debt

(In millions)	June 30, 2017		December 31, 2016	
	Face Value	Book Value	Book Value	Book Value
CERP	\$4,564	\$4,515	\$	4,563
CGP	2,322	2,277	2,275	
Total debt	6,886	6,792	6,838	
Current portion of long-term debt	(48)	(48)	(89)	
Long-term debt	\$6,838	\$6,744	\$	6,749
Unamortized discounts and deferred finance charges		\$94	\$	110

Fair value \$7,140

Current Portion of Long-Term Debt

CERP's current portion of long-term debt is \$26 million, which includes scheduled principal payments on its senior secured loan, other unsecured borrowings, and capitalized lease obligations. CGP's current portion of long-term debt is \$22 million, which includes scheduled principal payments on term loans, special improvement district bonds, and various capital lease obligations.

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CAESARS ENTERTAINMENT CORPORATION
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 (UNAUDITED)

Although there are no outstanding amounts under the revolving credit facilities for CERP or CGPH as of June 30, 2017, borrowings under these revolving credit facilities are each subject to separate note agreements executed based on the provisions of the applicable credit facility agreements, and each note has a contractual maturity of less than one year. The applicable credit facility agreements each have a contractual maturity of greater than one year, and we have the ability to rollover the outstanding principal balances on a long-term basis. Amounts borrowed under the revolving credit facilities are intended to satisfy short term liquidity needs and are classified as current.

Fair Value

We calculate the fair value of debt based on borrowing rates available as of June 30, 2017, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. We classify the fair value of debt within Level 1 and Level 2 in the fair value hierarchy.

Estimated Debt Service Payments ⁽¹⁾

(In millions)	Remaining 2017	Years Ended December 31,					Total
		2018	2019	2020	2021	Thereafter	
Long-Term Debt Principal							
CERP	\$ 13	\$34	\$78	\$3,288	\$1,151	\$ —	\$4,564
CGP ⁽²⁾	22	21	17	17	1,272	973	2,322
Total principal	35	55	95	3,305	2,423	973	6,886
Estimated Interest							
CERP	160	330	330	300	130	—	1,250
CGP ⁽²⁾	70	140	140	150	110	80	690
Total interest	230	470	470	450	240	80	1,940
Principal and Interest							
CERP	173	364	408	3,588	1,281	—	5,814
CGP ⁽²⁾	92	161	157	167	1,382	1,053	3,012
Total principal and interest	\$ 265	\$525	\$565	\$3,755	\$2,663	\$ 1,053	\$8,826

Debt principal payments are estimated amounts based on maturity dates and potential borrowings under our revolving credit facility. Interest payments are estimated based on the forward-looking LIBOR curve. Actual payments may differ from these estimates.

⁽²⁾ See Note 17 for additional information about CGP's debt.

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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CERP Debt

On May 12, 2017, CERP amended its first lien credit agreement to reduce the interest rate margins applicable to approximately \$211 million of its revolving credit facility and to the entire remaining \$2.4 billion of its term loan facility by 2.50%. The amendment also included automatic step-ups in the scheduled quarterly payments to approximately \$16 million beginning December 31, 2018, and to approximately \$31 million beginning December 31, 2019. This amendment resulted in a loss on extinguishment of debt of approximately \$1 million, which is recorded in Restructuring of CEOC and other in the Statements of Operations.

(Dollars in millions)	June 30, 2017		December 31, 2016		
	Final Maturity	Rate(s) ⁽¹⁾	Face Value	Book Value	Book Value
CERP Credit Facility					
CERP Revolving Credit Facility ⁽²⁾	2018	various	\$—	\$—	\$ 40
CERP Senior Secured Term Loan ⁽³⁾	2020	4.73%	2,413	2,379	2,387
CERP Notes					
CERP First Lien Notes	2020	8.00%	1,000	995	993
CERP Second Lien Notes	2021	11.00%	1,150	1,140	1,140
Capital lease obligations and other	2017	various	1	1	3
Total CERP Debt			4,564	4,515	4,563
Current portion of CERP long-term debt			(26)	(26)	(68)
CERP long-term debt			\$4,538	\$4,489	\$ 4,495

⁽¹⁾ Interest rate is fixed, except where noted.

Variable interest rate for the \$211 million amended revolver is LIBOR plus 3.50%, down from 6.00% prior to the

⁽²⁾ amendment. The variable interest rate on the remaining \$59 million is determined by adding LIBOR to a base rate of 6.00%.

⁽³⁾ Variable interest rate was amended during the 2017 second quarter from 6.00% plus the greater of LIBOR or a 1% floor to 3.50% plus the greater of LIBOR or a 1% floor.

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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CGP Debt

On April 27, 2017, CGPH entered into an Incremental Assumption Agreement and Amendment No. 1 to its First Lien Credit Agreement that, among other things, (a) provided for an increase in CGPH's existing Senior Secured Term Loan of \$175 million to approximately \$1.3 billion and (b) reduced the interest rate margins applicable to the Senior Secured Term Loan and CGPH's existing \$150 million revolving credit facility by 2.25%. On June 20, 2017, the \$175 million incremental proceeds were used to repay the property-specific term loan encumbering The Cromwell, which extended the final maturity for the majority of the \$175 million from 2019 to 2021. At the time of the repayment, The Cromwell became part of the CGPH restricted group (which is subject to certain restrictions or limitations placed on CGPH and its restricted subsidiaries), and its assets were pledged as collateral for both the CGPH Senior Secured Term Loan and the CGPH Notes. This amendment resulted in a loss on extinguishment of debt of approximately \$4 million, which is recorded in Restructuring of CEOC and other in the Statements of Operations.

(Dollars in millions)	June 30, 2017		December 31, 2016		
	Final Maturity	Rate(s) ⁽¹⁾	Face Value	Book Value	Book Value
CGPH Credit Facilities					
CGPH Senior Secured Revolving Credit Facility ⁽²⁾	2019	various	\$—	\$—	\$ —
CGPH Senior Secured Term Loan ⁽³⁾	2021	4.23%	1,314	1,291	1,119
CGPH Notes	2022	9.38%	675	663	662
Cromwell Credit Facility	N/A	N/A	—	—	167
Horseshoe Baltimore Credit and FF&E Facilities ⁽⁴⁾					
Horseshoe Baltimore Revolving Facility Loan ⁽⁵⁾	2018	various	—	—	—
Horseshoe Baltimore Credit Facility ⁽⁶⁾	2020	8.30%	296	287	287
Horseshoe Baltimore FF&E Facility ⁽⁷⁾⁽⁸⁾	2019	8.75%	19	19	22
Other secured debt	2018	8.00%	5	4	4
Special Improvement District Bonds	2037	5.30%	13	13	14
Total CGP Debt			2,322	2,277	2,275
Current portion of CGP long-term debt			(22)	(22)	(21)
CGP long-term debt			\$2,300	\$2,255	\$ 2,254

⁽¹⁾ Interest rate is fixed, except where noted.

⁽²⁾ Variable interest rate calculated as LIBOR plus 3.00%, down from 5.25% prior to the amendment.

⁽³⁾ Variable interest rate was amended during the 2017 second quarter from 5.25% plus the greater of LIBOR or a 1% floor to 3.00% plus the greater of LIBOR or a 1% floor.

⁽⁴⁾ See Note 17.

⁽⁵⁾ Variable interest rate calculated as LIBOR plus 7.00%.

⁽⁶⁾ Variable interest rate calculated as 7.00% plus the greater of LIBOR or a 1.25% floor.

⁽⁷⁾ Variable interest rate calculated as 7.50% plus the greater of LIBOR or a 1.25% floor. The rate is set at the 1.25% floor as of June 30, 2017.

⁽⁸⁾ This represents an equipment financing term loan facility.

Terms of Outstanding Debt

Restrictive Covenants

The CERP Notes, CERP Credit Facility, CGPH Senior Secured Term Loan, CGPH Notes, and Horseshoe Baltimore Credit and FF&E Facilities all include negative covenants, subject to certain exceptions, and contain affirmative

covenants and events of default, subject to exceptions, baskets and thresholds (including equity cure provisions in the case of the CERP Credit Facility, and Horseshoe Baltimore Credit and FF&E Facilities), all of the preceding being customary in nature.

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CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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The restrictive covenants also require that we maintain Senior Secured Leverage Ratios (“SSLR”) as shown in the table below. SSLR is defined as the ratio of first lien senior secured net debt to earnings before interest, taxes, depreciation and amortization, adjusted as defined (“Adjusted EBITDA”).

Credit Facility	Covenant Type	Effective Period	Requirement
CERP Credit Facility	CERP Maximum SSLR	From inception	8.00 to 1.00
CGPH Senior Secured Term Loan	CGPH Maximum SSLR	From inception	6.00 to 1.00
Horseshoe Baltimore Credit and FF&E Facilities ⁽¹⁾	CBAC Maximum SSLR	Q1 - Q4 2017	6.00 to 1.00
	CBAC Maximum SSLR	Q1 2018 and thereafter	4.75 to 1.00

⁽¹⁾ See Note 17.

Guarantees

CERP has pledged a significant portion of its assets as collateral under the notes and facilities. The CERP Notes are co-issued, as well as fully and unconditionally guaranteed, jointly and severally, by Caesars Entertainment Resort Properties, LLC (parent entity) and each of its wholly-owned subsidiaries on a senior secured basis.

The CGPH Senior Secured Term Loan is guaranteed by the direct parent of CGPH and substantially all of CGPH’s subsidiaries, and is secured by the direct parent’s equity interest in CGPH and substantially all of the existing and future assets of CGPH and the subsidiary guarantors.

The CGPH Notes are secured by substantially all of the existing and future property and assets of CGPH and the subsidiary guarantors (subject to exceptions), and are guaranteed by CGPH and substantially all of CGPH’s subsidiaries (subject to exceptions).

The Horseshoe Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

The Horseshoe Baltimore FF&E Facility is secured by the FF&E that was purchased with the proceeds.

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Note 10 — Earnings Per Share

Basic earnings per share is computed by dividing the applicable income amounts by the weighted-average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing the applicable income amounts by the sum of weighted-average number of shares of common stock outstanding and dilutive potential common stock.

For a period in which Caesars generated a net loss, the weighted-average basic shares outstanding was used in calculating diluted loss per share because using diluted shares would have been anti-dilutive to loss per share.

Basic and Dilutive Net Earnings Per Share Reconciliation

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
(In millions, except per share data)	2017	2016	2017	2016
Loss from continuing operations attributable to Caesars, net of income taxes	\$(1,442)	\$(2,102)	\$(1,988)	\$(2,443)
Income from discontinued operations attributable to Caesars, net of income taxes	—	25	—	58
Net loss attributable to Caesars	\$(1,442)	\$(2,077)	\$(1,988)	\$(2,385)
Weighted-average common stock outstanding	149	146	148	146
Basic and diluted loss per share from continuing operations	\$(9.68)	\$(14.42)	\$(13.42)	\$(16.79)
Basic and diluted earnings per share from discontinued operations	—	0.17	—	0.40
Basic and diluted loss per share	\$(9.68)	\$(14.25)	\$(13.42)	\$(16.39)
Weighted-Average Number of Anti-Dilutive Shares				
Excluded from Calculation of EPS				

	Three		Six	
	Months		Months	
(In millions)	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Stock options	10	10	12	10
Restricted stock units and awards	5	10	7	8
Total anti-dilutive common stock	15	20	19	18

Note 11 — Casino Promotional Allowances

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as casino promotional allowances. The estimated cost of providing such casino promotional allowances is included in casino expenses.

Estimated Retail Value of Casino
 Promotional Allowances

	Three		Six Months	
	Months		Ended June	
(In millions)	Ended June		30,	
	30,			
	2017	2016	2017	2016
Food and beverage	\$67	\$68	\$138	\$141

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Rooms	60	57	118	117
Other	9	7	17	14
	\$136	\$132	\$273	\$272

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CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Estimated Cost of Providing Casino
 Promotional Allowances

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2017	2016	2017	2016
Food and beverage	\$41	\$ 41	\$84	\$84
Rooms	21	20	41	40
Other	6	5	10	8
	\$68	\$ 66	\$135	\$132

Note 12 — Stock-Based Compensation

Caesars Entertainment Stock-Based Compensation

During the second quarter 2016, we implemented FASB ASU No. 2016-09, which amended Topic 718, Compensation - Stock Compensation. This updated guidance amended the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. We applied the amended guidance using a modified retrospective transition method of a cumulative-effect adjustment to beginning equity of \$1 million.

We maintain long-term incentive plans for management, other personnel, and key service providers. The plans allow for granting stock-based compensation awards, based on CEC common stock (NASDAQ symbol "CZR"), including time-based and performance-based stock options, restricted stock units, restricted stock awards, stock grants, or a combination of awards.

Composition of Caesars Entertainment Stock-Based
 Compensation Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2017	2016	2017	2016
Corporate expense	\$6	\$ 11	\$13	\$ 19
Property, general, administrative, and other	1	1	2	3
Total stock-based compensation expense	\$7	\$ 12	\$15	\$ 22

Outstanding at End of Period

	June 30, 2017		December 31, 2016	
	Quantity	Wtd	Quantity	Wtd
	(1)	Avg (2)	Quantity	Avg (2)
Stock options (3)	9,446,636	\$10.33	9,820,168	\$ 11.69
Restricted stock units (4)	5,542,757	7.59	8,447,922	7.95

(1) There were no grants of stock options or restricted stock units related to CEC common stock during the six months ended June 30, 2017.

(2) Represents weighted average exercise price for stock options and weighted average fair value for restricted stock units.

- (3) On March 14, 2017, we modified vested and unvested stock options held by active employees with exercise prices above the then-current market price of CEC's common stock to have an exercise price of \$9.45.
- (4) During the three and six months ended June 30, 2017, 194,085 and 2,621,995 restricted stock units vested, respectively.

CIE Stock-Based Compensation Plan

Historically, CIE has granted stock-based compensation awards in CIE common stock to its employees, directors, service providers and consultants in accordance with the Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan, which was intended to promote the interests of CIE and its stockholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of CIE. These awards were classified as liability-based instruments and were re-measured at their fair value at each reporting date.

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As described in Note 1, in September 2016, CIE sold its SMG Business, which represented the majority of CIE's operations, and the SMG Business is now presented as discontinued operations (see Note 14). Upon the closing of the SMG Business sale, all outstanding CIE stock-based compensation awards were deemed fully vested and were subsequently paid in cash in connection with the closing of the SMG Business sale, as described in Note 14.

The portion of CIE's stock-based compensation expense directly identifiable with employees of the SMG Business was reclassified to discontinued operations for all periods presented in the Statements of Operations. The portion of CIE's stock-based compensation expense not directly identifiable with employees of the SMG Business was \$30 million and \$43 million for the three and six months ended June 30, 2016, respectively, and was included in property, general, administrative, and other in the Statements of Operations.

Note 13 — Income Taxes

Caesars' provision for income taxes during interim reporting periods has historically been calculated by applying an estimate of the annual effective tax rate for the full year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. We utilized a discrete effective tax rate method, as allowed by ASC 740-270 "Income Taxes, Interim Reporting," to calculate taxes for the three and six months ended June 30, 2016 and 2017. We determined that as small changes in estimated "ordinary" income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the three and six months ended June 30, 2016 and 2017.

Income Tax Allocation

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Loss from continuing operations, before income taxes	\$(1,395)	\$(2,065)	\$(1,847)	\$(2,365)
Income tax provision	\$(31)	\$(3)	\$(103)	\$(10)
Effective tax rate	(2.2)%	(0.1)%	(5.6)%	(0.4)%
Discontinued operations, before income taxes	\$—	\$53	\$—	\$119
Income tax provision	\$—	\$(28)	\$—	\$(61)

We classify reserves for tax uncertainties within deferred credits and other in the Balance Sheets, separate from any related income tax payable, which is also reported within accrued expenses, or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. We have provided a valuation allowance on certain federal and state deferred tax assets that were not deemed realizable based upon estimates of future taxable income.

The effective tax rate related to the loss from continuing operations for the three months ended June 30, 2017 differed from the expected federal tax rate of 35% primarily due to losses from continuing operations not tax benefitted, including accrued restructuring and support expenses. The effective tax rate for the three months ended June 30, 2016 differed from the expected federal tax rate of 35% primarily due to losses from continuing operations not tax benefitted, including accrued restructuring and support expenses, and nondeductible stock based compensation from CIE.

The effective tax rate related to the loss from continuing operations for the six months ended June 30, 2017 differed from the expected federal tax rate of 35% primarily due to losses from continuing operations not tax benefitted, including accrued restructuring and support expenses, and from state deferred tax expense. Effective January 1, 2017,

CEC elected to no longer treat CERP as a corporation for income tax purposes, which resulted in additional state deferred tax expense due to additional state filing requirements for CEC. The effective tax rate related to the loss from continuing operations for the six months ended June 30, 2016 differed from the expected federal tax rate of 35% primarily due to losses from continuing operations not tax benefitted, including accrued restructuring and support expenses, and nondeductible stock based compensation from CIE.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next 12 months.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Note 14 — Discontinued Operations

Sale of SMG Business

On September 23, 2016, CIE sold its SMG Business to Alpha Frontier Limited (“Alpha Frontier”) for cash consideration of \$4.4 billion, subject to customary purchase price adjustments, pursuant to the Stock Purchase Agreement dated as of July 30, 2016 (the "Purchase Agreement"), which resulted in a pre-tax gain of approximately \$4.2 billion.

As a result of the sale, CAC incurred estimated current income tax expense of approximately \$285 million on the gain. Under the terms of its operating agreement, CGP is required to distribute funds to CAC, which CAC will use to pay its tax obligation resulting from the sale of the SMG Business (see Note 15), and \$240 million of this was paid during the year ended December 31, 2016. During the first quarter of 2017, CGP amended its operating agreement to clarify the allocation method for taxable income resulting from the sale between CEC and CAC. This resulted in less taxable income being allocated to CAC and a lower resulting tax obligation for CAC; therefore, CGP reduced the amount of its estimated distribution to CAC by \$26 million to \$259 million.

Additionally, proceeds from the sale were deposited into an escrow account to fund potential indemnity claims of Alpha Frontier under the Purchase Agreement (the "Indemnity Escrow"). The balance in the Indemnity Escrow was approximately \$259 million as of both June 30, 2017 and December 31, 2016.

As discussed in Note 2, the majority of the proceeds from the sale of the SMG Business is restricted under the terms of the Purchase Agreement and the CIE Proceeds Agreement and was therefore classified as restricted cash upon receipt. As a result of the sale, the results of operations and cash flows related to the SMG Business were classified as discontinued operations for all periods presented effective beginning in the third quarter of 2016.

In connection with the closing of the SMG Business sale (“Closing”), CIE completed the following transactions, which were funded from the proceeds of the sale:

Repurchased all of the shares of CIE common stock held by Rock Gaming Interactive LLC, and its other minority investors (collectively, the "Minority Investors") in exchange for the right to receive cash payments representing the fair market value of the shares of CIE common stock at Closing.

Accelerated the vesting of all of the outstanding options, restricted stock units and warrants of CIE (collectively, "CIE equity awards") and canceled all such CIE equity awards in exchange for the right to receive cash payments equal to the intrinsic value of such awards.

The total amount distributed to the Minority Investors and former holders of CIE equity awards in connection with Closing was approximately \$1.1 billion, which is subject to any purchase price adjustments pursuant to the Purchase Agreement. CGP has accrued \$63 million as of both June 30, 2017 and December 31, 2016, respectively, for the estimated portion of the balance remaining in the Indemnity Escrow that is due to the Minority Investors and former holders of CIE equity awards. The balance is included in accrued expenses and other current liabilities on the Balance Sheets. The remaining proceeds from the sale of the SMG Business will be released from the Indemnity Escrow at the end of the escrow period, which is during the third quarter of 2017.

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Effect on Statements of Operations of Discontinued Operations

(In millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Revenues		
Social and mobile games	\$ 237	\$ 455
Operating expenses		
Platform fees	69	132
Property, general, administrative, and other ⁽¹⁾	115	204
Total operating expenses	184	336
Pre-tax income from discontinued operations	53	119
Income tax provision	(28)	(61)
Total income from discontinued operations, net of income taxes	\$ 25	\$ 58

Property, general, administrative, and other includes stock-based compensation expense directly identifiable with ⁽¹⁾ employees of the SMG Business of \$36 million and \$51 million for the three and six months ended June 30, 2016, respectively.

Note 15 — Related Party Transactions

(In millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016
Transactions with Sponsors and their affiliates				
Reimbursements and expenses	\$ —	\$ —	\$ —	\$ 6
Expenses paid to Sponsors' portfolio companies	1	1	1	2
Expenses paid on behalf of CAC	12	7	21	13
Transactions with CEOC				
Shared services allocated expenses to CEOC	108	86	204	177
Shared services allocated expenses from CEOC	23	25	46	50
Management fees incurred	11	12	22	22
Octavius Tower lease revenue	9	9	18	18
Other expenses incurred	2	7	6	14

Transactions Related to the CEOC Reorganization

The Debtors filed the Third Amended Plan on January 13, 2017, and CEC, CAC, the Debtors, and CEOC's major creditor groups have agreed to support the Third Amended Plan and have entered into various RSAs with respect to the CEOC reorganization. See detailed discussion of the Third Amended Plan and the RSAs in Note 1.

Transactions with Sponsors and their Affiliates

The members of Hamlet Holdings LLC ("Hamlet Holdings") are comprised of individuals affiliated with Apollo Global Management, LLC and affiliates of TPG Capital LP (collectively, the "Sponsors"). As of June 30, 2017, Hamlet Holdings beneficially owned a majority of CEC's common stock pursuant to an irrevocable proxy providing Hamlet

Holdings with sole voting and sole dispositive power over those shares, and, as a result, the Sponsors have the power to elect all of CEC's directors.

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Reimbursements and Expenses

CEC has a services agreement with the Sponsors relating to the provision of financial and strategic advisory services and consulting services. The Sponsors have granted an ongoing waiver of the monitoring fees for management services; however, we reimburse the Sponsors for expenses they incur related to these management services and certain legal expenses. The reimbursed expenses are included in corporate expense and are included in the table above.

Sponsors' Portfolio Companies

We may engage in transactions with companies owned or controlled by affiliates of the Sponsors in the normal course of business. Amounts paid to the Sponsors' portfolio companies are included in the table above and we believe such transactions are conducted at fair value.

In addition, certain entities affiliated with or under the control of our Sponsors may from time to time transact in and hold our debt securities, and participate in any modifications of such instruments on terms available to any other holder of our debt.

Caesars Acquisition Company

As described in Note 2, CAC is the sole voting member of CGP, our consolidated VIE, and common control exists between CAC and Caesars through the majority beneficial ownership of both by Hamlet Holdings. Pursuant to the operating agreement of CGP, CGP pays certain expenses on behalf of CAC. These expenses, which are included in the table above, commenced in 2013 and are reflected as distributions to a noncontrolling interest holder in the consolidated statements of equity. Under its operating agreement, CGP is required to distribute funds to CAC that will be used to pay CAC's tax obligation resulting from the sale of the SMG Business. During the six months ended June 30, 2017, CGP made no additional tax payments related to the sale of the SMG Business and the remaining balance of \$19 million is included in due to affiliates in the Balance Sheets.

Transactions with CEOC

As described in Note 2, upon its filing for reorganization under Chapter 11 of the Bankruptcy Code and its subsequent deconsolidation, transactions with CEOC are no longer eliminated in consolidation and are considered related party transactions for Caesars. A summary of these transactions is provided in the table above. However, subsequent to CEOC's emergence, it is anticipated that OpCo will be a wholly owned subsidiary of CEC, and these transactions with OpCo would then be eliminated upon consolidation going forward.

CEOC Shared Services Agreement

Pursuant to a shared services agreement, CEOC provides Caesars with certain corporate and administrative services, and the costs of these services are allocated to Caesars. Certain services are now provided by CES (see Note 1). Prior to the deconsolidation of CEOC, we were self-insured for employee medical (health, dental, and vision) and risk products, including workers compensation and surety bonds, and our insurance claims and reserves included accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

We continue to be self-insured for workers compensation and other risk insurance as of June 30, 2017. Caesars Entertainment provides insurance coverage to CEOC and receives insurance premiums on an installment basis, which are intended to cover claims processed on CEOC's behalf. We prepay CEOC for estimated employee medical insurance claims.

Services Joint Venture

CES provides certain corporate and administrative services to its Members, and the costs of these services are allocated among the Members. The CES allocated costs include amounts for insurance coverage (see Note 1).

Management Fees

CGP pays a management fee to CEOC for the CGP properties that are managed by CEOC or CES.

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Octavius Tower Lease Agreement

Under the Octavius Tower lease agreement, CEOC leases the Octavius Tower at Caesars Palace Las Vegas from CERP and pays rent totaling \$35 million annually through expiration in April 2026.

LINQ Access and Parking Easement Lease Agreement

Under the LINQ Access and Parking Easement lease agreement, CEOC leases the parking lot behind The LINQ promenade and The LINQ Hotel & Casino to CERP and CGP. Together, CERP and CGP pay approximately \$2 million annually, subject to a 3% annual increase through expiration in April 2028. Amounts are included within other expenses incurred in the table above.

Service Provider Fee

CEOC, CERP, and CGP have a shared services agreement under which CERP and CGP pay for certain indirect corporate support costs. Amounts are included within other expenses incurred in the table above.

Cross Marketing and Trademark License Agreement

CIE and CEOC have a Cross Marketing and Trademark License Agreement in effect until December 31, 2026, unless terminated earlier pursuant to the terms of the agreement. The agreement grants CIE the exclusive right to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in exchange for a 3.0% royalty. This agreement also provides for cross-marketing and promotional activities between CIE and CEOC, including participation by CIE in Caesars' Total Rewards loyalty program. CEOC also receives a revenue share from CIE for customer referrals. Amounts are included within other expenses incurred in the table above.

Effective upon Closing, CIE and Playtika, formerly a wholly-owned subsidiary of CIE and now a wholly-owned subsidiary of the buyer of the SMG Business, executed a separate sub-license agreement extending substantially the same rights and obligations to both parties beyond the sale through December 31, 2026.

Equity Incentive Awards

Caesars maintains an equity incentive awards plan under which CEC may issue time-based and performance-based stock options, restricted stock units and restricted stock awards to CEOC employees. Although awards under the plan result in the issuance of shares of CEC common stock, because CEOC is no longer a consolidated subsidiary of CEC, we have accounted for these awards as nonemployee awards subsequent to the date of deconsolidation.

Employee Benefit Plans

CEC maintains a defined contribution savings and retirement plan in which employees of CEOC may participate. The plan provides for, among other things, pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings (subject to certain IRS and plan limits). In addition, employees subject to collective bargaining agreements receive benefits through the multi-employer pension plans sponsored by the organization in which they are a member. The expenses related to contributions made to the plans on their behalf are allocated to the properties at which they are employed.

Total Rewards Loyalty Program

CEOC's customer loyalty program, Total Rewards, offers incentives to customers from their spending related to on-property entertainment expenses, including gaming, hotel, dining, and retail shopping at our and CEOC's resort properties located in the U.S. and Canada. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, CEOC estimates the cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as "breakage") based upon the cost of historical redemptions. The estimated value of Reward Credits is expensed as the Reward Credits are earned by customers and

is included in direct casino expense. The total estimated cost is accrued by CEOC, with the incremental charges related to our casino properties included in due to affiliates in the Balance Sheets.

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
 (UNAUDITED)

Due from/to Affiliates

Amounts due to or from affiliates for each counterparty represent the net receivable or payable as of the end of the reporting period primarily resulting from the transactions described above and are settled on a net basis by each counterparty in accordance with the legal and contractual restrictions governing transactions by and among Caesars' consolidated entities and CEOC. The amount due from CEOC represents the maximum exposure to loss as a result of Caesars' involvement with CEOC, and the amount is reported net of an allowance for doubtful accounts of \$12 million as of both June 30, 2017 and December 31, 2016.

As of June 30, 2017 and December 31, 2016, due from affiliates was \$30 million and \$64 million, respectively, and represented a receivable due to CES from CEOC for shared services performed on behalf of CEOC.

As of June 30, 2017 and December 31, 2016, due to affiliates was \$56 million and \$112 million, respectively. These amounts include the payable to CAC from CGP related to CAC's taxes payable described above, which was \$19 million and \$45 million as of June 30, 2017 and December 31, 2016, respectively. The remaining liability represented a payable due to CEOC primarily from CGP for shared services performed on their behalf.

Note 16 — Segment Reporting

We view each casino property as an operating segment and currently aggregate all such casino properties into two reportable segments: CERP and CGP.

The results of each reportable segment presented below are consistent with the way Caesars management assesses these results and allocates resources, which is a consolidated view that adjusts for the effect of certain transactions between reportable segments within Caesars, as described below. Accordingly, the results of certain reportable segments presented in this filing differ from the financial statement information presented in their standalone filings. "Other" includes parent, consolidating, and other adjustments to reconcile to consolidated Caesars results.

Condensed Statements of Operations - By Segment

(In millions)	Three Months Ended June 30, 2017				
	CER	PCGP	Other	Elimination	Caesars
Other revenues	\$89	\$64	\$ 2	\$ (6)	\$ 149
Net revenues	570	435	3	(6)	1,002
Depreciation and amortization	54	42	—	—	96
Income/(loss) from operations	118	63	(24)	—	157
Interest expense	(91)	(47)	(4)	—	(142)
Restructuring of CEOC and other	(2)	5	(1,413)	—	(1,410)
Income tax provision	(10)	—	(21)	—	(31)
	Three Months Ended June 30, 2016				
(In millions)	CER	PCGP	Other	Elimination	Caesars
Other revenues	\$82	\$58	\$ 2	\$ (6)	\$ 136
Net revenues	562	435	1	(6)	992
Depreciation and amortization	60	44	(1)	—	103
Income/(loss) from operations	111	36	(36)	—	111
Interest expense	(99)	(48)	(3)	—	(150)
Restructuring of CEOC and other	—	—	(2,026)	—	(2,026)
Income tax benefit/(provision)	(4)	3	(2)	—	(3)

CAESARS ENTERTAINMENT CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
 (UNAUDITED)

	Six Months Ended June 30, 2017				
(In millions)	CERP	CGP	Other	Elimination	Caesars
Other revenues	\$166	\$119	\$ 3	\$ (10)	\$ 278
Net revenues	1,116	856	3	(10)	1,965
Depreciation and amortization	110	88	—	—	198
Income/(loss) from operations	228	118	(31)	—	315
Interest expense	(189)	(95)	(5)	—	(289)
Restructuring of CEOC and other	(2)	5	(1,876)	—	(1,873)
Income tax provision	(16)	—	(87)	—	(103)
	Six Months Ended June 30, 2016				
(In millions)	CERP	CGP	Other	Elimination	Caesars
Other revenues	\$158	\$108	\$ 3	\$ (11)	\$ 258
Net revenues	1,090	861	2	(11)	1,942
Depreciation and amortization	133	83	(1)	—	215
Income/(loss) from operations	189	87	(77)	—	199
Interest expense	(198)	(100)	(3)	—	(301)
Restructuring of CEOC and other	(1)	1	(2,263)	—	(2,263)
Income tax benefit/(provision)	2	4	(16)	—	(10)

Property EBITDA - by Segment

Property earnings before interest, taxes, depreciation and amortization (“EBITDA”) is presented as a measure of the Company’s performance. Property EBITDA is defined as revenues less property operating expenses and is comprised of net income/(loss) before (i) interest expense, net of interest capitalized and interest income, (ii) income tax (benefit)/provision, (iii) depreciation and amortization, (iv) corporate expenses, and (v) certain items that we do not consider indicative of its ongoing operating performance at an operating property level. As a result of the sale of the SMG Business (see Note 1), we have determined that CIE stock-based compensation expense should be excluded from Property EBITDA as management no longer considers such expense to be indicative of Caesars Entertainment’s ongoing consolidated or segment operating performance. Therefore, Property EBITDA has been recast for prior periods to be consistent to the current year presentation.

In evaluating Property EBITDA you should be aware that, in the future, we may incur expenses that are the same or similar to some of the adjustments in this presentation. The presentation of Property EBITDA should not be construed as an inference that future results will be unaffected by unusual or unexpected items.

Property EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net income/(loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with GAAP). Property EBITDA may not be comparable to similarly titled measures reported by other companies within the industry. Property EBITDA is included because management uses Property EBITDA to measure performance and allocate resources, and believes that Property EBITDA provides investors with additional information consistent with that used by management.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

	Three Months Ended June 30, 2017				
(In millions)	CERPCGP	Other	Elimination	Caesars	
Net income/(loss) attributable to company	\$15	\$21	\$(1,478)	\$ —	\$(1,442)
Net income attributable to noncontrolling interests	—	—	16	—	16
Income tax provision	10	—	21	—	31
Restructuring of CEOC and other	2	(5)	1,413	—	1,410
Interest expense	91	47	4	—	142
Depreciation and amortization	54	42	—	—	96
Corporate expense	13	9	19	(1)	40
Other operating costs	1	10	7	—	18
Property EBITDA	\$186	\$124	\$2	\$ (1)	\$311
	Three Months Ended June 30, 2016				
(In millions)	CERPCGP	Other	Elimination	Caesars	
Net income/(loss) attributable to company	\$8	\$13	\$(2,098)	\$ —	\$(2,077)
Net income attributable to noncontrolling interests	—	3	31	—	34
Discontinued operations, net of income taxes	—	(25)	—	—	(25)
Income tax (benefit)/provision	4	(3)	2	—	3
Restructuring of CEOC and other	—	—	2,026	—	2,026
Interest expense	99	48	3	—	150
Depreciation and amortization	60	44	(1)	—	103
Corporate expense	10	8	22	—	40
Other operating costs	3	2	15	—	20
CIE stock-based compensation	—	30	—	—	30
Property EBITDA	\$184	\$120	\$—	\$ —	—\$304
	Six Months Ended June 30, 2017				
(In millions)	CERPCGP	Other	Elimination	Caesars	
Net income/(loss) attributable to company	\$21	\$29	\$(2,038)	\$ —	\$(1,988)
Net income/(loss) attributable to noncontrolling interests	—	(1)	39	—	38
Income tax provision	16	—	87	—	103
Restructuring of CEOC and other	2	(5)	1,876	—	1,873
Interest expense	189	95	5	—	289
Depreciation and amortization	110	88	—	—	198
Corporate expense	23	16	35	(1)	73
Other operating costs	2	16	(3)	—	15
Property EBITDA	\$363	\$238	\$1	\$ (1)	\$601

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In millions)	Six Months Ended June 30, 2016				Caesars
	CERP	CGP	Other	Elimination	
Net income/(loss) attributable to company	\$(8)	\$43	\$(2,420)	\$ —	\$(2,385)
Net income attributable to noncontrolling interests	—	7	61	—	68
Discontinued operations, net of income taxes	—	(58)	—	—	(58)
Income tax (benefit)/provision	(2)	(4)	16	—	10
Restructuring of CEOC and other	1	(1)	2,263	—	2,263
Interest expense	198	100	3	—	301
Depreciation and amortization	133	83	(1)	—	215
Corporate expense	21	15	46	(1)	81
Other operating costs	5	3	34	—	42
CIE stock-based compensation	—	43	—	—	43
Property EBITDA	\$348	\$231	\$2	\$ (1)	\$580

Condensed Balance Sheets - By Segment

June 30, 2017

(In millions)	CERP	CGP	Other	Elimination	Caesars
Total assets	\$6,980	\$7,181	\$1,197	\$ (565)	\$14,793
Total liabilities	5,867	2,644	9,712	(73)	18,150

December 31, 2016

(In millions)	CERP	CGP	Other	Elimination	Caesars
Total assets	\$6,941	\$7,353	\$1,246	\$ (646)	\$14,894
Total liabilities	5,903	2,709	7,758	(58)	16,312

Note 17 — Subsequent Events

On July 7, 2017, CBAC closed the syndication of new senior secured credit facilities, consisting of \$300 million in the aggregate principal amount of a senior secured term loan facility maturing in 2024 (the “Baltimore Term Facility”), subject to a variable rate of interest calculated as LIBOR plus 4.00%, which is down from 7.00% prior to the amendment. The proceeds from the Baltimore Term Facility, in addition to \$15 million in cash, were used to repay the amounts outstanding under the Horseshoe Baltimore Credit Facility and the Horseshoe Baltimore FF&E Facility. CBAC’s new senior secured revolving credit facility has up to \$15 million available in aggregate principal amount and matures in 2022.

As of June 30, 2017, the book value of the Horseshoe Baltimore Credit Facility and the Horseshoe Baltimore FF&E Facility was net of unamortized discounts and deferred finance charges of \$9 million.

In this filing, the name “CEC” refers to the parent holding company, Caesars Entertainment Corporation, exclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires. The words “Company,” “Caesars,” “Caesars Entertainment,” “we,” “our,” and “us” refer to Caesars Entertainment Corporation, inclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires.

We also refer to (i) our Consolidated Condensed Financial Statements as our “Financial Statements,” (ii) our Consolidated Condensed Statements of Operations and Comprehensive Income as our “Statements of Operations,” and (iii) our Consolidated Condensed Balance Sheets as our “Balance Sheets.” Note references are to the notes to consolidated condensed financial statements included in Item 1, “Unaudited Financial Statements.”

The following discussion and analysis of the financial position and operating results of Caesars Entertainment for the three and six months ended June 30, 2017 and 2016 should be read in conjunction with the unaudited consolidated condensed financial statements and the notes thereto and other financial information included elsewhere in this Form 10-Q as well as Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (“2016 Annual Report”).

The statements in this discussion regarding our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations Overview

Our business is operated through CEC, which is primarily a holding company with no independent operations of its own, and our two reportable segments:

• Caesars Entertainment Resort Properties (“CERP”); and

• Caesars Growth Partners (“CGP”).

Summary of 2017 Events

The following are the significant events that affect our 2017 results. The Discussion of Operating Results should be read in conjunction with this summary.

CEC Going Concern

As a result of the following circumstances, we have substantial doubt about CEC’s ability to continue as a going concern:

we have limited unrestricted cash available to meet the financial commitments of CEC, primarily resulting from significant expenditures made to (1) defend against the litigation matters disclosed below and (2) support a plan of reorganization for Caesars Entertainment Operating Company, Inc. (“CEOC”) (the “Restructuring”);

- we have made material future commitments to support the Restructuring described below; and

we are a defendant in litigation relating to certain CEOC transactions dating back to 2010 and other legal matters (see Note 3) that could result in one or more adverse rulings against us if the Restructuring is not completed.

CEC does not currently have sufficient cash to meet its financial commitments to support the Restructuring that are due when CEOC ultimately emerges from bankruptcy or to satisfy the potential obligations that would arise in the event of an adverse ruling on one or all of the litigation matters disclosed below. The completion of CEC’s merger with Caesars Acquisition Company (“CAC”) (the “Merger”) is expected to allow CEC to fulfill its financial commitments in support of the Restructuring. However, if the Merger is not completed for any reason, CEC would still be liable for many of these obligations.

CEC entered into the CIE Proceeds and Reservation Rights Agreement (as amended on October 7, 2016) with Caesars Interactive Entertainment (“CIE”), CEOC and CAC (the “CIE Proceeds Agreement”), which allows for up to \$235 million of the proceeds from the sale of CIE’s social and mobile games business (the “SMG Business”) (described below) to be

distributed to CEC in

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order to pay certain fees in support of the Restructuring including the payment to CEOC disclosed in Note 1 (“CEC Expense Amounts”). As of June 30, 2017, \$81 million remained available to CEC under this agreement. After taking into account the cash available to pay the CEC Expense Amounts under the CIE Proceeds Agreement and other sources of liquidity, CEC expects to have sufficient cash to meet its ongoing obligations as they come due for at least 12 months beyond the issuance date of these financial statements. However, there are restrictions governing when and how the cash designated for CEC Expense Amounts can be used (see Note 2). Upon completion of the Merger, CEC also expects to gain access to the remaining proceeds from the sale of the SMG Business, which will be used to fund its other commitments in support of the Restructuring.

If CEC is unable to access additional sources of cash when needed, in the event of a material adverse ruling on one or all of the litigation matters disclosed in Note 1, or if CEOC does not emerge from bankruptcy on a timely basis on terms and under circumstances satisfactory to CEC, it is likely that CEC would seek reorganization under Chapter 11 of the Bankruptcy Code.

Debt Activity

During the quarter ended June 30, 2017, Caesars Growth Properties Holdings, LLC (“CGPH”) entered into an Incremental Assumption Agreement and Amendment No. 1 to its First Lien Credit Agreement that, among other things, (a) provided for an increase in CGPH’s existing Senior Secured Term Loan of \$175 million to approximately \$1.3 billion and (b) reduced the interest rate margins applicable to the Senior Secured Term Loan and CGPH’s existing \$150 million revolving credit facility by 2.25%. On June 20, 2017, the \$175 million incremental proceeds were used to repay the property-specific term loan encumbering The Cromwell, which extended the final maturity for the majority of the \$175 million from 2019 to 2021.

Additionally, CERP amended its first lien credit agreement to reduce the interest rate margins applicable to approximately \$211 million of its revolving credit facility and to the entire remaining \$2.4 billion of its term loan facility by 2.50%. The amendment also included automatic step-ups in the scheduled quarterly payments to approximately \$16 million beginning December 31, 2018, and to approximately \$31 million beginning December 31, 2019.

Subsequent to June 30, 2017, CBAC Borrower, LLC (“CBAC”), owner of the Horseshoe Baltimore Casino, closed the syndication of new senior secured credit facilities, consisting of \$300 million in the aggregate principal amount of a senior secured term loan facility maturing in 2024 (the “Baltimore Term Facility”), subject to a variable rate of interest calculated as LIBOR plus 4.00%, which is down from 7.00% prior to the amendment. The proceeds from the Baltimore Term Facility, in addition to \$15 million in cash, were used to repay the amounts outstanding under the Horseshoe Baltimore Credit Facility and the Horseshoe Baltimore FF&E Facility. CBAC’s new senior secured revolving credit facility has up to \$15 million available in aggregate principal amount and matures in 2022.

CIE’s Sale of the SMG Business

On September 23, 2016, CIE sold the SMG Business for cash consideration of \$4.4 billion, subject to customary purchase price adjustments, and retained only its World Series of Poker and regulated online real money gaming businesses. The SMG Business represented the majority of CIE’s operations and was classified as discontinued operations effective beginning in the third quarter of 2016. Historical results of the SMG Business have been recast as discontinued operations for all periods presented effective beginning in the third quarter of 2016 (see “Discontinued Operations” in the Discussion of Operating Results section below and Note 14).

Upon closing the sale of the SMG Business, all outstanding CIE stock-based compensation awards were deemed fully vested and subsequently canceled in return for the right to receive a cash payment. CIE’s stock-based compensation expense directly identifiable with employees of the SMG Business was \$36 million and \$51 million during the three and six months ended June 30, 2016, respectively. This expense amount was reclassified to discontinued operations. Stock-based compensation expense not directly identifiable with employees of the SMG Business of \$30 million and \$43 million during the three and six months ended June 30, 2016, respectively, was included in property, general, administrative, and other in the Statements of Operations. In 2017, there were no amounts related to CIE’s stock-based compensation expense.

Recent Accounting Pronouncements

See Note 4 for discussions of the adoption and potential effects of recently issued accounting standards.

Critical Accounting Policies

For information on critical accounting policies, see “Critical Accounting Policies” in MD&A of the 2016 Annual Report. There have been no changes to these policies during the six months ended June 30, 2017.

Discussion of Operating Results

Segment results in this MD&A are presented consistent with the way Caesars' management assesses the Company's results, which is a consolidated view that adjusts for the effect of certain transactions related to reportable segments within Caesars. Therefore, the results of certain reportable segments presented in this filing differ from the financial statement information presented in their separate filings. "Other" includes parent, consolidating, and other adjustments to reconcile to consolidated Caesars results.

Consolidated Operating Results

(Dollars in millions)	Three Months Ended June 30,		Fav/(Unfav)		Six Months Ended June 30,		Fav/(Unfav)		
	2017	2016	\$	%	2017	2016	\$	%	
Casino revenues	\$554	\$553	\$1	0.2	%	\$1,086	\$1,091	\$(5)	(0.5)%
Net revenues	1,002	992	10	1.0	%	1,965	1,942	23	1.2
Income from operations	157	111	46	41.4	%	315	199	116	58.3
Restructuring of CEOC and other	(1,410)	(2,026)	616	30.4	%	(1,873)	(2,263)	390	17.2
Loss from continuing operations, net of income taxes	(1,426)	(2,068)	642	31.0	%	(1,950)	(2,375)	425	17.9
Discontinued operations, net of income taxes	—	25	(25)	(100.0)	%	—	58	(58)	(100.0)
Net loss attributable to Caesars	(1,442)	(2,077)	635	30.6	%	(1,988)	(2,385)	397	16.6
Property EBITDA ⁽¹⁾	311	304	7	2.3	%	601	580	21	3.6
Operating margin ⁽²⁾	15.7	11.2	—	4.5	pts	16.0	10.2	—	5.8

⁽¹⁾ See the Reconciliation of Non-GAAP Financial Measures discussion later in this MD&A for a reconciliation of Property EBITDA.

⁽²⁾ Operating margin is calculated as income from operations divided by net revenues.

Analysis of Key Drivers of Revenue Performance

Our gaming-related revenues and operating performance are dependent upon the volume and spend behavior of customers at our resort properties, which affects the price we can charge for our hotel rooms and other amenities, and directly impacts our gaming volumes.

Net Revenues by Category - Consolidated

(Dollars in millions)	Three Months Ended June 30,		Fav/(Unfav)		Six Months Ended June 30,		Fav/(Unfav)		
	2017	2016	\$	%	2017	2016	\$	%	
Casino	\$554	\$553	\$1	0.2	%	\$1,086	\$1,091	\$(5)	(0.5)%
Food and beverage	197	200	(3)	(1.5)	%	393	401	(8)	(2.0)%
Rooms	238	235	3	1.3	%	481	464	17	3.7
Other	149	136	13	9.6	%	278	258	20	7.8
Less: casino promotional allowances ("Casino promo")	(136)	(132)	(4)	(3.0)	%	(273)	(272)	(1)	(0.4)%
Net revenues	\$1,002	\$992	\$10	1.0	%	\$1,965	\$1,942	\$23	1.2

Increase/(Decrease) in Net Revenues by Category - Consolidated
Three Months Ended June 30, 2016 and 2017

Increase/(Decrease) in Net Revenues by Category - Consolidated
Six Months Ended June 30, 2016 and 2017

Net Revenues - Segment

	Three Months		Fav/(Unfav)		Six Months		Fav/(Unfav)	
	Ended June 30,				Ended June 30,			
(Dollars in millions)	2017	2016	\$	%	2017	2016	\$	%
CERP	\$570	\$562	\$8	1.4 %	\$1,116	\$1,090	\$26	2.4 %
CGP	435	435	—	— %	856	861	(5)	(0.6)%
Other	(3)	(5)	2	40.0 %	(7)	(9)	2	22.2 %
Net revenues	\$1,002	\$992	\$10	1.0 %	\$1,965	\$1,942	\$23	1.2 %

Net revenues increased \$10 million, or 1.0%, for the second quarter of 2017 and \$23 million, or 1.2%, for the first half of 2017 compared with the corresponding prior year periods. During both periods, the most significant improvements came from other revenues, which includes entertainment revenues, rental income, and parking revenues, and rooms revenues from hotel stays at our casino properties. The following are key drivers of year over year performance.

Cash ADR ⁽¹⁾

Three	Six
Months	Months
Ended	Ended
June	June 30,
30,	2017
2017	versus
versus	2016
2016	

(1) Average cash daily rate (“cash ADR”) is a key indicator by which we evaluate the performance of our properties and is determined by rooms revenues and rooms occupied.

CERP Performance

Net revenues increased \$8 million, or 1.4%, for the second quarter of 2017 and \$26 million, or 2.4%, for the first half of 2017 compared with the corresponding prior year periods, primarily due to increases in rooms revenues and other revenues. Casino revenues also contributed to the increase in the six-month period. The increases were attributable to the following:

Rooms revenues increased \$4 million, or 2.8%, during the second quarter of 2017 and \$18 million, or 6.4%, during the first half of 2017. Increased resort fees and improved hotel yield continued to drive an increase in CERP’s cash ADR to \$125 for the second quarter of 2017 from \$123 in 2016 and to \$131 for the first half of 2017 from \$123 in 2016. Harrah’s Las Vegas had 11% more room nights available during the first half of 2017 compared with the prior year period due to construction at the property during the first half of 2016, which contributed to an increase in rooms revenues of \$2 million during the second quarter of 2017 and \$8 million during the first half of 2017 at that property. While the number of rooms off the market during renovations at CERP properties is expected to increase in the third quarter, the projects will take place at properties with generally lower cash ADR relative to projects completed during the prior year.

Other revenues increased \$7 million, or 8.5%, during the second quarter of 2017 and \$8 million, or 5.1%, during the first half of 2017, primarily due to the additional revenue from the valet and self-parking fees that were fully implemented in Las Vegas in April 2017.

Casino revenues increased \$1 million, or 0.3%, during the second quarter of 2017 and \$9 million, or 1.6%, during the first half of 2017, primarily due to higher gaming volumes.

CGP Performance

Net revenues was flat for the second quarter of 2017 and decreased \$5 million, or 0.6%, for the first half of 2017 compared with the corresponding prior year periods, primarily due to declines in casino revenues, food and beverage revenues, and rooms revenues, partially offset by an increase in other revenues. The fluctuations were attributable to the following:

Casino revenues declined \$2 million, or 0.7%, during the second quarter of 2017 and \$15 million, or 2.8%, during the first half of 2017, primarily due to a decline in gaming volumes at Horseshoe Baltimore, which also was affected by increased competition and a short-term dealer shortage. This decrease was partially offset by an increase in casino revenues at Harrah’s New Orleans due to favorable gaming hold, as well as favorable gaming volumes.

Food and beverage revenues declined \$3 million, or 4.5%, during the second quarter of 2017 and \$4 million, or 2.9%, during the first half of 2017, primarily due to construction at Planet Hollywood Resort & Casino (“Planet Hollywood”) in the current year.

Rooms revenues decreased \$1 million during both the second quarter and first half of 2017, which was primarily because Planet Hollywood had 14% less room nights available due to construction at the property in the current year.

Other revenues increased \$6 million, or 10.3%, during the second quarter of 2017 and \$11 million, or 10.2%, during the first half of 2017, primarily due to the additional revenue from the valet and self-parking fees that were fully implemented in Las Vegas in April 2017. In addition, CGP other revenues includes amounts related to a sub-license agreement extending the right to use various brands of Caesars Entertainment in connection with social and mobile games to the buyer of the SMG Business.

Analysis of Key Drivers of Income/(Loss) from Operations Performance

Income from operations increased \$46 million, or 41.4%, for the second quarter of 2017 and \$116 million, or 58.3%, for the first half of 2017 compared with the corresponding prior year periods. The key drivers of income from operations in both periods were primarily property, general, administrative, and other; net revenues; and depreciation and amortization. Income from operations for the six months ended June 30, 2017 was also affected by a decrease in other operating costs.

Income from Operations by Category - Consolidated

(Dollars in millions)	Three Months Ended June 30,		Fav/(Unfav)		Six Months Ended June 30,		Fav/(Unfav)	
	2017	2016	\$	%	2017	2016	\$	%
Net revenues	\$1,002	\$992	\$10	1.0 %	\$1,965	\$1,942	\$23	1.2 %
Operating expenses								
Casino	280	279	(1)	(0.4)%	563	564	1	0.2 %
Food and beverage	96	100	4	4.0 %	189	193	4	2.1 %
Rooms	64	63	(1)	(1.6)%	127	122	(5)	(4.1)%
Property, general, administrative, and other ("PGA & O")	251	276	25	9.1 %	485	526	41	7.8 %
Depreciation and amortization ("Depreciation")	96	103	7	6.8 %	198	215	17	7.9 %
Corporate expense	40	40	—	— %	73	81	8	9.9 %
Other operating costs	18	20	2	10.0 %	15	42	27	64.3 %
Total operating expenses	845	881	36	4.1 %	1,650	1,743	93	5.3 %
Income from operations	\$157	\$111	\$46	41.4 %	\$315	\$199	\$116	58.3 %

Increase/(Decrease) in Income from Operations - Consolidated

Three Months Ended June 30, 2016 and 2017

Increase/(Decrease) in Income from Operations - Consolidated

Six Months Ended June 30, 2016 and 2017

Income/(Loss) from Operations - Segment

	Three Months Ended June 30,		Fav/(Unfav)		Six Months Ended June 30,		Fav/(Unfav)	
	2017	2016	\$	%	2017	2016	\$	%
(Dollars in millions)								
CERP	\$118	\$111	\$7	6.3 %	\$228	\$189	\$39	20.6 %
CGP	63	36	27	75.0 %	118	87	31	35.6 %
Other	(24)	(36)	12	33.3 %	(31)	(77)	46	59.7 %
Income from operations	\$157	\$111	\$46	41.4 %	\$315	\$199	\$116	58.3 %

CERP Performance

Income from operations increased \$7 million, or 6.3%, for the second quarter of 2017 and \$39 million, or 20.6%, for the first half of 2017 compared with the corresponding prior year periods, primarily due to the revenue increases described above and a decrease in depreciation and amortization, partially offset by increased casino and rooms expenses. Depreciation and amortization decreased because we recorded accelerated depreciation in the prior year due to the removal and replacement of certain assets primarily at Paris Las Vegas during the second quarter 2016, as well as Harrah's Las Vegas and Flamingo Las Vegas during the six months ended June 30, 2016.

CGP Performance

Income from operations increased \$27 million, or 75.0%, for the second quarter of 2017 and \$31 million, or 35.6%, for the first half of 2017 compared with the corresponding prior year periods. There was no CIE stock-based compensation expense recorded in property, general, administrative and other in the current year periods following the 2016 sale of the SMG Business compared with \$30 million and \$43 million during the three and six months ended June 30, 2016, respectively. Casino expenses at Horseshoe Baltimore also decreased by \$8 million and \$13 million during the three and six months ended June 30, 2017, respectively, mainly due to reduced gaming taxes as of result of lower casino revenues, combined with the slot tax reduction initiated in December 2016. These decreases were partially offset by increases in demolition costs at Planet Hollywood of \$9 million and \$14 million during the three and six months ended June 30, 2017, respectively, as a result of ongoing renovations. During the six months ended June 30, 2017, income from operations was also unfavorably affected by a \$2 million increase in accelerated depreciation due to ongoing property renovations, as well as the revenue decrease described above.

CEC Performance

For the three and six months ended June 30, 2017, other operating costs improved compared with the corresponding prior year periods, mainly due to transactions related to the new joint venture in Korea. During the first quarter of 2017, CEC was reimbursed \$19 million for amounts related to the joint venture development that were deemed uncollectible and written off in 2015.

Interest Expense and Other Factors that Affect Net Loss

Interest Expense - Segment

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	\$	%	2017	2016	\$	%
(Dollars in millions)								
CERP	91	99	8	8.1 %	189	198	9	4.5 %
CGP	47	48	1	2.1 %	95	100	5	5.0 %
Other	4	3	(1)	(33.3)%	5	3	(2)	(66.7)%
Interest expense	\$142	\$150	\$8	5.3 %	\$289	\$301	\$12	4.0 %

Interest expense decreased \$8 million, or 5.3%, for the second quarter of 2017 and \$12 million, or 4.0%, for the first half of 2017 compared with the corresponding prior year periods, primarily as a result of the amendments to the CERP and CGPH credit agreements completed during the second quarter of 2017 as described in Note 9.

Other Factors Affecting Net Loss - Consolidated

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	\$	%	2017	2016	\$	%
(Dollars in millions)								
Restructuring of CEOC and other	\$(1,410)	\$(2,026)	\$616	30.4 %	\$(1,873)	\$(2,263)	\$390	17.2 %
Income tax provision	(31)	(3)	(28)	*	(103)	(10)	(93)	*
Discontinued operations, net of income taxes	—	25	(25)	(100.0)%	—	58	(58)	(100.0)%

*Not meaningful.

Restructuring of CEOC and Other

As described in Note 1, we recognized certain obligations that we believe will ultimately be settled under the amended plan of reorganization filed on January 13, 2017 or the RSAs. As a result, we accrued expenses associated with the Restructuring totaling \$1.4 billion and \$2.0 billion for the three months ended June 30, 2017 and 2016, respectively, and \$1.9 billion and \$2.3 billion for the six months ended June 30, 2017 and 2016, respectively. A portion of the obligations we recognized reflect our estimates of the fair value of the consideration CEC has agreed to provide in exchange for the settlement of litigation claims and potential claims against CEC and its affiliates. As described in Note 7, these obligations will be accounted for at fair value each period until they are ultimately settled as part of the Restructuring, and a fluctuation in the value of one or more of the inputs to our fair value estimates could result in a significant adjustment to the fair value of these obligations.

Income Taxes on Continuing Operations

For the three months ended June 30, 2017 and 2016, the effective tax rates were negative 2.2% and negative 0.1%, respectively. For the six months ended June 30, 2017 and 2016, the effective tax rates were negative 5.6% and negative 0.4%, respectively. See Note 13 for a detailed discussion of income taxes and the effective tax rates.

Discontinued Operations

Discontinued operations represent the SMG Business, which was sold on September 23, 2016. See Note 14.

Liquidity and Capital Resources

Liquidity Discussion and Analysis

As stated previously, there is substantial doubt as to CEC's ability to continue as a going concern as we have limited unrestricted cash available to meet the financial commitments of CEC, primarily resulting from significant expenditures made to (1) defend the Company in the litigation discussed in Note 3 and (2) support the Restructuring. In addition, we have made material future commitments to support the Restructuring, and we are a defendant in litigation, including the Noteholder Disputes, and other noteholder disputes relating to certain CEOC transactions dating back to 2010, that if resolved against us would raise substantial doubt about CEC's ability to continue as a going concern. See Note 1 for a full description.

Our consolidated estimated debt service (including principal and interest) for the remainder of 2017 is \$265 million and \$8.6 billion thereafter to maturity. See Note 9 for details of our debt outstanding, debt service requirements, and restrictive covenants. As a result of amendments to our existing debt agreements discussed in Note 9, we reduced our annual interest obligations by approximately \$100 million going forward.

CEC is primarily a holding company with no independent operations, employees, or debt issuances of its own. It has ownership interests in CEOC, CERP and CGP. CEC has no requirement to fund the operations of CEOC, CERP, CGP, or their subsidiaries. CEC cash outflows are primarily used for corporate development opportunities, other corporate-level activity, litigation, and restructuring expenses associated with CEOC's bankruptcy. CEC does not receive any financial benefit from CEOC during the bankruptcy, as all earnings and cash flows are retained by CEOC. In addition, because CEC has no operations of its own and due to the restrictions under its subsidiaries' lending arrangements, CEC has limited ability to raise additional capital.

Consolidated cash and cash equivalents as of June 30, 2017 as shown in the table below, includes amounts held by CERP, CGP, and Caesars Enterprise Services, LLC ("CES"), which are not readily available to CEC. "Other" reflects CEC and certain of its direct subsidiaries, including \$93 million related to its insurance captives.

Summary of Cash and Revolver Capacity

(In millions)	June 30, 2017			
	CER	PCGP	CES	Other
Cash and cash equivalents	\$264	\$1,035	\$91	\$125
Revolver capacity	270	160	—	—
Revolver capacity drawn or committed to letters of credit	—	—	—	—